

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Wednesday December 21 1983

D 8523 B

Chile's military
stays out in
the cold, Page 4

London	100.00	Paris	100.00	Frankfurt	100.00
New York	100.00	Stockholm	100.00	Oslo	100.00
Amsterdam	100.00	Copenhagen	100.00	Helsinki	100.00
Geneva	100.00	Zurich	100.00	Basel	100.00
Brussels	100.00	Luxembourg	100.00	Madrid	100.00
Barcelona	100.00	Valencia	100.00	Bilbao	100.00
Seville	100.00	Granada	100.00	Malaga	100.00
Almeria	100.00	Cadiz	100.00	Huelva	100.00
San Sebastian	100.00	Pamplona	100.00	Leizor	100.00
Donostia	100.00	San Pedro de Gaztelu	100.00	San Juan de Pie de Collado	100.00
San Esteban de Baxa	100.00	San Esteban de Baxa	100.00	San Esteban de Baxa	100.00

No. 29,202

NEWS SUMMARY

GENERAL

Dublin reviews laws on violence

The Irish Cabinet decided yesterday to review the laws on incitement to commit those "who promote the use of violence while claiming to be unassociated with them."

A ban on Sinn Féin, the political wing of the Provisional IRA, would still be considered if legislation proved too difficult to draft.

In the House of Commons, UK Prime Minister Margaret Thatcher condemned Noraid, the organisation that purports to collect money in the U.S. for victims of Northern Ireland violence, as a front for the IRA. Page 10

Warsaw Pact offer

The Czechoslovak Communist Party daily newspaper Rude Pravo said the Warsaw Pact was still prepared to negotiate on reducing international tension, in spite of nuclear missiles being stationed in Europe.

In Bonn, West Germany's Free Democratic Party said Warsaw Pact member Romania would send its foreign minister to the opening of an East-West security conference in Stockholm next month.

In Moscow, the Soviet Army newspaper Krasnaya Zvezda warned Turkey that the Soviet Union would not accept U.S. nuclear missiles on Turkish territory. Page 2

Lambsdorf 'to stay'

West German Economics Minister Otto Lambsdorf will take no decision on resignation until examining magistrates decide whether to try him on corruption charges, the Government said. Page 2

Kuwait stops visas

Kuwait's embassies have been told to stop issuing entry visas to foreigners, except nationals of other Gulf Co-operation Council states. That follows six bomb attacks on December 12. Page 3

Disco detentions

A Spanish judge ordered the detention of the five owners of a Madrid discotheque where 79 people died in a fire on Saturday.

Lima shooting

The head of Peru's police training school was shot dead in Lima hours after one of the country's most powerful left-wing leaders was captured.

Salvador arrest

Salvadoran army Captain Ernesto Avila was arrested for the 1981 killing of two U.S. officials and the head of a land reform programme.

Greyhound running

The U.S. Greyhound bus company plans to resume its 2,000 daily scheduled runs today after striking workers voted to accept a pay cut in a previously rejected contract. Page 4

2,350-mile fence

India plans to build a barbed-wire fence along the 2,350-mile border with Bangladesh to win support for Prime Minister Indira Gandhi's Congress (I) Party in Assam, which is complaining of an influx of Bangladeshis every month. Page 3

Briefly...

Brussels University students ended a hunger strike over a Bill to restrict immigration.

Salvadoran parliamentary president Roberto d'Aubuisson is to stand in the country's presidential election next March.

Five kilos of cocaine worth US\$4.5m were seized at Sydney airport.

BUSINESS

Greece to curb pay and prices

● GREECE announced a price and incomes policy package for 1984 that will extend public sector index-linked pay to higher income brackets but control private-sector wages and prices. Page 10

● DOLLAR weakened to DM 2.786 (DM 2.773), SwFr 2.285 (SwFr 2.212), FF 8.4475 (FF 8.4575) and Y24.7 (Y24.15). Its Bank of England trade-weighted index was 130.8 (131.2). In New York it closed at DM 2.7711, SwFr 2.213, Y235.0 and FF 8.453. Page 27

● STERLING closed at \$1.419, up 5 points, but slipped to DM 1.9275 (DM 1.935), SwFr 3.33 (DM 3.34), FF 11.995 (FF 11.995) and Y332.25 (Y332.25). Its trade weighting was 119.9 (121.2). In New York it closed at \$1.419. Page 27

● GOLD rose \$2.75 to \$377.875 in London. Frankfurt it added \$3 to \$378 and in Zurich it was also \$3 higher at \$378.25. In New York, the Comex November settlement was \$378.4 (S373). Page 26

● LONDON: FT Industrial Ordinary index added 7.7 to close at a record 768.8. Report, Page 21. FT Share Information Service, Pages 22, 23

● WALL STREET: Dow Jones industrial average closed 2.64 down at 1,241.97. Report, Page 17. Full share prices, Pages 18-20

● TOKYO: Share prices rebounded as investors recovered from the setback to the ruling Liberal Democratic Party in Sunday's election. The Nikkei Dow index closed 143.76 up at 9,527.53, a record high. The Stock Exchange index rose 7.31 to 7,065.53. Report, Page 17. Leading prices, other exchanges, Page 20

● EUROPEAN INVESTMENT Bank is lending Ecu 80m (\$85m) to three Portuguese enterprises. Page 2

● SANDOZ, Swiss chemical company, plans to extend its food interests by acquiring sweet maker F. Ahlgrens Tekniska Fabrik of Sweden. Page 2

● INCHECAPE BERHAD, controlled by Incchape of the UK, is to have off most of its Malaysian business to newly formed Kumpulan Incchape. Page 11

● WORLD OIL PRICES might fall after U.S. refiners Ashland Oil and Citgo Petroleum decided to cut \$1.5 a barrel off the price they will pay for domestic crude oil.

● HUNGARIAN consumer demand may have to be curbed for the rest of the decade, Hungarian National Bank managing director Dr Tamas Becskai said. Page 2

● PAKISTAN and the Soviet Union agreed to expand economic links, with Moscow completing several energy projects, said Pakistan's Finance Minister Ghulam Ishaq Khan. Page 4

● UK SHEEPMEAT exports to the EEC might be halted by regulations that came into force on Monday. Page 26

● EUROPEAN ASIAN Bank, the Hamburg commercial and foreign trade bank, is raising DM 50m (\$30m) from shareholders through a capital increase. Page 28

● BRAZIL has abandoned hopes of receiving a \$30m advance on its \$5.5bn loan to clear loan interest arrears before the year-end. Page 19

● PILLSBURY, Burger King restaurant group, raised first-half net earnings 54 per cent to \$86.5m. Page 11

● JAPAN'S gross national product grew 1.5 per cent in the third quarter, the fastest since July-September 1980. Page 3

● LLOYDS BANK, one of the big UK banks, raised its stake in the Royal Bank of Scotland by 4.9 per cent to 21.3 per cent in a deal worth £23.06m (\$32.7m). Lex, Page 10.

FRENCH ESCORT INCLUDES AIRCRAFT FROM CARRIER

Arafat and his battle-weary followers sail out of Tripoli

BY PATRICK COCKBURN IN TRIPOLI

MR YASSIR ARAFAT and 4,000 fighters loyal to his leadership of the Palestine Liberation Organisation sailed from the northern Lebanese city of Tripoli yesterday aboard five Greek ships protected from Israeli attack by the French navy.

Mr Arafat has been besieged in Tripoli since PLO rebels supported by Syria attacked his forces at the beginning of November. In heavy fighting, the Arafat loyalists were pressed back until a ceasefire and terms for an evacuation were agreed.

The final departure has been delayed by a series of attacks by Israeli gunboats and only took place yesterday because the French Navy, including aircraft from the

carrier Clemenceau, agreed to protect the convoy.

Early in the morning, PLO fighters, many looking battle-weary and depressed, assembled at five places in Tripoli, in some cases accompanied by their families. "I would have preferred to die here and not to leave," said a fighter. Few of the men have much idea of what the future holds for them in Tunisia, Algeria or North Yemen, where they are bound.

Shortly before the Greek ships arrived, PLO members tossed explosives into the water of the harbour to explode mines which they believed Israeli aircraft had dropped.

None was found, but enterprising Lebanese came with nets to scoop

up the dead fish which floated on the water, killed by the explosions.

Loading the ships was chaotic but surprisingly speedy. Heavy weapons, such as multiple rocket launchers and light anti-aircraft guns, were left behind guarded by Lebanese gendarmes.

Two heavy mortars had disappeared from fortifications close to Mr Arafat's headquarters in the city. The crews of the five ships, which normally ply between the Greek islands as passenger and car ferries, appeared undisturbed by the number of armed men who swarmed aboard their vessels.

Israeli ships were no longer visible. "I was worried until I saw the French ships," said the chief mate of one Greek ship as he loaded

trucks full of suitcases on to the car deck.

Observing the evacuation from the fortifications around the Palestinian refugee camp at Beddawi, overlooking Tripoli, where much of the heaviest fighting took place, the Palestinian rebels were also in a subdued mood. "I am sure Israeli aircraft will attack us today or tomorrow," said a gunner on a 37mm anti-aircraft gun as he watched reconnaissance aircraft circling high above.

"Arafat is not a Palestinian but an American agent," added the gunner. But, for the rebel PLO, the siege of Tripoli may have inflicted irreparable damage to their political credibility.

Most civilian Palestinians in Lebanon, the West Bank and elsewhere

have denounced them as Syrian puppets who bombed Palestinian refugee camps.

Political support for the PLO mutiny, which started in the Bekaa Valley in east Lebanon last May, has ebbed away.

"The conspiracy against the PLO has failed, the future of Palestine is still in Palestinian hands," said Mr Ahmed Abdul-Rahman, the PLO spokesman, as he stood on the boarding ramp of the Ionian Glory, seeing off Abu Jihad, the PLO's military commander.

As the ships began to leave the quayside, heavily damaged by both Israeli and Syrian shelling, the departing fighters began to fire their Kalashnikovs into the air in a furious display of impotent firepower, traditional in Lebanon. Rockets

soared into the air to explode high overhead.

Mr Arafat turned up to board the aptly named *Odyssée* Elitis bound for Tunis. He was heavily guarded, and there was little ceremony, presumably because his aides feared a last-minute Israeli or rebel attack.

But the gloom of many of Mr Arafat's men indicates how far they feel they are from anything approaching a Palestinian state. Mr Arafat has lost his last independent base in Lebanon. He becomes a guerrilla leader without an effective army, opposed by a bitterly hostile Syria, and condemned to seek hospitality in a largely indifferent Arab world.

Italy to reduce Lebanon force, Page 10

Bank of England in forthright attack on U.S. budget deficit

BY ROBIN PAULEY IN LONDON

The Bank of England, Britain's central bank, has bluntly blamed the U.S. and its budget deficit for real interest rates' being higher than they need to be, threatening the continuation of the world recovery.

The latest Bank of England quarterly bulletin, published today, takes a generally optimistic view of Britain's economic prospects, although it is more cautious than the UK Treasury in some key areas. It is unusually forthright, however, in its criticism of the U.S. budget deficit.

The U.S. had set the pace for world economic growth, and although the expansion in the U.S. "so far has been helped by the stimulatory effect of the budget deficit, the prospective growth in the structural deficit is probably an important factor in bringing real dollar interest rates to historically high levels and threatens the continuation of the recovery," the Bank says.

"This has put an upward pressure on real rates elsewhere. As a result, although there has been some decline in nominal rates, with falling inflation and firm fiscal policies, interest rates have been higher than they need have been."

Turning to the British economy, the Bank says that, having suffered a steeper recession than most de-

veloped countries, the UK is now among the most inflationary, it now has one of the lowest inflation rates.

The Bank also sounds some notes of caution. Although it agrees that growth this year and next is likely to be around 3 per cent per annum, the Bank has yet to match the Treasury's optimistic forecast of 4½ per cent inflation at the end of 1984.

The UK recovery has been largely consumer-led and although funds are likely to continue to be freely available from banks and building societies, the level of personal debt in relation to income might become a constraint on consumer spending "in due course," the Bank says.

Another more cautious forecast from the Bank is an estimate of 3 per cent growth in world trade in manufacturers, weighted by UK markets, in 1984 compared with a 5 per cent forecast by the Government as detailed in the Chancellor of the Exchequer's autumn statement, after an expected 1 per cent fall in the current year.

Although British company profits have improved recently and the rate of profitability is probably now around 6 per cent pre-tax (compared with 2 to 3 per cent in 1981), it is still well below the 10 per cent figure of the 1960s and "well below the level necessary for a healthy rate of investment."

The continuation of the recovery depended in part on further moderation in wages and improvement in productivity "by constructive attitudes to technical change."

The Bank also says the changes under way in the London securities markets seem likely to be accompanied by wider changes in the structure of the British financial system. The changes had important implications for the Bank's oversight of financial markets.

The gathering pace of change and innovation in these markets complicates the task of monitoring and interpreting monetary conditions, and also makes it the more essential that monetary developments be kept under restraint and on an orderly path," the Bank says.

Details, Page 5; Lex, Page 10

UK 'will not save troubled shipyard'

BY ANDREW FISHER AND MARK MEREDITH IN LONDON

THE BRITISH Government will not intervene to save Scott Lithgow, the Clyde shipyard which is threatened with closure after the cancellations of an £88m (\$125m) oil rig order.

About one third of the rig is completed, but Britoil, the former exploration arm of British National Oil Corporation, cancelled the contract on Monday because the delivery deadline could not be met.

British Shipbuilders (BS), the state-owned group which owns the yard, yesterday served a writ contesting the cancellation. Scott Lithgow employs 4,500 workers, nearly half of whom were employed on the Britoil rig.

Mr Margaret Thatcher, the Prime Minister, said in the House of Commons yesterday: "One continues to have employment only by keeping customers - and that means building ships and oil rigs to budget and on time. I very much regret to say that the record of that particular yard in that respect is abysmal."

As it became clear in recent weeks that Britoil was likely to cancel the deal in the face of BS's refusal to renegotiate it, the Govern-

ment stayed out of the matter. The rig is two years behind schedule.

Mr Graham Day, chairman of BS, who is at present on holiday in Canada, has been adamant that the Government cannot afford to renegotiate, though Britoil has been pressing for this.

BS has received about £40m under the Britoil deal and another £44m was due on December 31. Scott Lithgow still claims that it can build the rig by January 1985, after which it would be liable for penalty payments. But Britoil has rejected this claim.

Mr Norman Lamont, Industry Minister, said yesterday that BS had provided for losses on the rig of £44m. Damages following cancellation could amount to a further £7m.

BS, which is losing about £120m a year and is facing a national strike next month, served the writ in the name of Scott Lithgow on Lloyds Leasing, the Lloyds Bank subsidiary which financed the order.

Talks are also under way on the fate of another rig, nearly completed but also well beyond deadline, for British Petroleum. Its scheduled delivery date is December 25, but

Continued on Page 10

Paris cuts monetary targets

By David Housego in Paris

THE FRENCH Government yesterday announced a further tightening of monetary policy in setting target rates for the expansion of M2 next year of 5½-6 per cent. M2 is cash in circulation and most quickly withdrawable bank deposits.

That follows a 9 per cent ceiling of monetary growth this year and is intended to reinforce the Government's anti-inflationary measures.

The official aim is to bring down inflation next year to 5 per cent, after this year's anticipated 9.5 per cent. But most forecasters expect inflation next year to come down to 6-7 per cent while economic growth remains stagnant or marginally positive.

In practice, M2 expansion this year has been overshooting the target and is now closer to 8 per cent on a year-by-year basis.

That reflects the slowdown in economic activity and the increasing pace at which companies and public-sector corporations have been funding themselves on the bond and equity markets.

Finance officials say that next year's monetary targets correspond

Continued on Page 10

Prudential Bache sets up London venture

By Ray Maughan in London

PRUDENTIAL-BACHE Securities, one of the leading investment firms on Wall Street, is set to become the third U.S. financial services group to take a stake on the London Stock Exchange. It is, however, establishing a new member firm as a joint venture with individual members rather than buying a shareholding in an existing stock exchange partnership.

The other members of the joint venture are Mr Ashley Down, and Mr Christopher de Boer, who head the corporate finance department of James Capel, one of the leading stockbroking firms in the City of London.

It is expected that the new firm, as yet unnamed, will recruit between 20 and 30 people in its first year of trading. Its paid-up capital will be £500,000 (\$715,500), and Prudential-Bache said yesterday that it would be putting up the major share of the equity.

The maximum holding the U.S. firm can take until the rules governing outside participation are relaxed is 29.9 per cent. At the outset, Prudential-Bache will control only 8 per cent of the voting equity and the balance of 21.9 per cent will be represented by non-voting stock.

When the reform of the London Stock Exchange allows complete external ownership of member

Continued on Page 10

The risks of being too radical, Page 8; Lex, Page 10; Five pave the way for reform, Page 28

Bonn jobs plan to encourage early retirement

BY JAMES BUCHAN IN BONN

THE WEST GERMAN Government yesterday announced an early retirement scheme which it hopes might free as many as 250,000 jobs for younger people and prevent a head-on clash with the country's most powerful trade union over a shorter working week.

The voluntary scheme, put forward in Bonn yesterday by Herr Norbert Blum, the Labour Minister, comes at the start of a wage round that might develop into a bitter industrial dispute around the demand of the country's largest union, IG Metall, for the progressive introduction of a 35-hour week.

Herr Blum said the scheme, approved by the Cabinet on Tuesday night, envisaged the state's taking over 40 per cent of employers' costs for workers electing to retire at 50 rather than at the usual retirement age of 65. The condition is that the employer recruits a replacement.

The scheme, which should become law next spring, runs for five years and will be available at first to 770,000 people. The Government hopes that by 1988 about 515,000 will have taken advantage of the offer and that half those jobs will be filled anew.

Herr Blum admitted that the Bill had been rushed through to Cabinet to be ready for the wage round, which will be dominated by the demands of the 2m metalworkers and other unions for the progressive introduction of a 35-hour week with wage compensation. Five other

BELGIAN WARNING

Belgian employers and trades unions were warned by the Government that it would use special powers to ensure measures of wage restraint unless such existing agreements were extended into 1986. Page 10.

unions are giving priority to early retirement as a means of reducing record unemployment, now at 2.2m people, 6.8 per cent of the workforce.

Herr Hans Steinkühler, deputy president of IG Metall, said at the weekend that the struggle for the reduction from 40 hours to 35 hours was "a matter of to be or not to be" for his union. Some employers in the Ruhr are already reckoning with the most serious industrial dispute since the steel strike in 1978.

Government and employers claim, however, that the full wage compensation demanded by IG Metall will add to costs as to dismantle more jobs than create them. Chancellor Helmut Kohl has called the union's demand "stupid."

In contrast, Herr Blum's plan is restricted to five years because it is believed that the pressure on the labour market will decline in the course of the 1980s because of the fall in the birth rate.

British unions rethink their role for the 1990s, Page 9

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CONTENTS

Europe	1	Editorial comment	8
Companies	2	Euro-options	21
America	4	Financial Futures	25
Companies	11	Gold	26
Overseas	3	Int. Capital Markets	28
Companies	12	Letters	5
World Trade	4	Management	19
Britain	5	Market Monitors	17
Companies	14, 15	Men and Matters	8
		Mining	15
		Money Markets	27
		Raw materials	28
		Stock markets	17, 20
		Wall Street	21-23
		London	17, 21-23
		Technology	15
		Unit Trusts	24, 25
		Weather	10

U.S.: Mondale ahead in race for White House 8

London Stock Exchange: the risks of being radical 9

UK: unions rethink a role for the 1990s 9

Bangladesh: courting moderate leadership 3

Energy Review: British approach to renewables 5

Editorial comment: Poissy; UK rates bill 8

Lex: Stock Exchange; Lloyds; Courtaulds 10

Copenhagen: new life for the bourse 11

Management: executive development 16

Technology: navigational satellite lifts off 16

EUROPEAN NEWS

Four-year Polish debt plan gains support

By Peter Montagnon, Euromarkets Correspondent

SUPPORT IS growing among Poland's leading creditor banks for a long term approach to its debt problems that would involve rescheduling some \$1.8bn (\$1.3bn) in debt falling due over the next four years all at once.

The scheme, discussed in outline at a meeting between leading bank creditors and Polish officials in Vienna last week, is a revival of an idea first suggested by Poland a year ago but subsequently dropped.

Bankers argue that it has gained in attractiveness since then because Poland's remaining unrescheduled debt is now too small to warrant annual renegotiating exercises.

This year, Poland and its creditor banks agreed to reschedule \$2.6bn in 1983 over 10 years at a margin of 12 per cent over London interbank offered rates for Eurocurrency deposits.

Poland has also notched up goodwill in the banking community by keeping payments up to date on its previous rescheduling arrangements. Unlike debtors in Latin America, its interest payments are now fully current. "This is an achievement that should not be belittled," one banker said yesterday.

ECONOMY ESCAPING RECESSION, SAYS BUNDESBANK

Investment boost for W. Germany

BY JOHN DAVIES IN FRANKFURT

WEST GERMAN companies have started to invest more, but are still cautious about large-scale outlays, according to the Bundesbank, the country's central bank.

The increased readiness to invest is helping to lift the economy out of recession, along with a much-awaited revival in export orders, says the Bundesbank in its monthly report.

Companies have increased orders for construction projects. They have also placed more orders for equipment, although purchases from abroad have

picked up faster than those from domestic suppliers.

Investment decisions are being prompted not only by better market prospects but also by a recovery in profits as sales revenue increases faster than production costs.

However, the Bundesbank says that companies' underlying financial structures weakened over a long period, are improving only gradually and for this reason major investment projects are still being closely scrutinised.

Recovery has exceeded expectations in many sectors of the economy, says the bank. Although unemployment will average about 2.9m for the year, this is less than expected a year ago.

Consumer spending, which helped to stimulate recovery early this year but then lost steam, has picked up again in recent months. The latest increase in spending has come from higher earnings, says the bank, and has not led to a further decline in private savings.

Up to November, money supply increased at an annual rate of 7.25 per cent since the fourth quarter of last year. The bank expects money supply to rise close to the top of the 4 to 7 per cent target range by the end of the year.

The central bank recently tightened its money supply growth target for next year to 4 to 6 per cent, signalling its determination to keep a tight rein for fear of adding to inflation as the economy improves.

Hungary may have to curb demand

By Leslie Collett in Berlin

A PROMINENT Hungarian banking official has held out the prospect that consumer demand will have to be curbed for the rest of the decade if a "minimal" excess of supplies is to be maintained to allow the Hungarian economic reform to operate.

A parallel report by the Hungarian trade union noted that further limits on consumption will be necessary next year because of "deteriorating" international economic conditions. Planned price increases for basic goods, it said, cannot be matched by similar wage increases as the union had hoped.

Dr Tamás Bakcsi, managing director of the Hungarian National Bank, said that for the next three years Hungary can only hope to maintain its current level of exports to the West.

Imports, apart from technology purchases, should be shifted, he said, to wherever there were possibilities of selling more. Trade with other Comecon countries, he noted, was unlikely to increase by more than 3 per cent annually. A greater increase would require economic reforms in those countries and in Comecon, which, even if begun immediately, would not show results before the end of this decade.

Europe's parliament adopts 1984 budget despite objections

BY JOHN WYLES IN BRUSSELS

THE PRESIDENT of the European Parliament, Mr Pieter Denker, yesterday brushed aside the objections of EEC member governments and formally completed the adoption of the EEC's disputed 1984 budget.

After signing the version of the Ecu 25.3bn (\$21.5bn) voted by the Parliament last Thursday, Mr Denker sent a letter to the President of the European Community's Council of Ministers, Mr Grigoris Varfis, rejecting the complaints about the budget registered by EEC foreign ministers on Monday.

In particular, Mr Denker argued that the Council and not the Parliament was breaching both EEC rules and an agreement made with the Parliament last year by trying to argue that the Parliament could not freeze most of the Ecu 1.2bn to be paid as budget rebates to Britain and West Germany.

The budget will now be executed, as passed by the European Commission. However, the Commission does enjoy some powers of initiative and it will not feel bound to act on the last Ecu of spending laid down by the Parliament.

In particular, if the Council does manage to agree the regulations allowing the payment to the UK of the 750m Ecu rebate on its contributions to the EEC this year, together with a smaller amount to West Germany, then the Commission is expected to seek parliamentary approval for transferring the money.

The UK is adamant that this money must be paid before the end of its current financial year, on March 31. Within the Commission there is some optimism that the Parliament will allow the payment to avoid accusations that it is discriminating against one member state.

European bank makes \$65m loan to Lisbon

BY DIANA SMITH IN LISBON

THE EUROPEAN Investment Bank (EIB) is lending Ecu 80m (\$65m) to three Portuguese enterprises as part of pre-accession concessions granted to Portugal by the European Economic Community.

Contracts have been signed in Lisbon by Mr Yves Le Fort, President of the EIB, and the Portuguese Finance Minister, Sr Bragança Lopes, for loans of Ecu 35m to the national airport authority for improvements to Oporto airport in the north; of Ecu 25m to Electricidade

de Portugal (EDP), the national electricity corporation, for help with construction of the new thermal power station in the Sines industrial complex; and of Ecu 20m to the Caixa Geral de Depósitos, the national savings bank, to be channelled to 45 small-to-medium sized business projects.

The EEC has subsidised 3 per cent of the interest. This week's contracts use up the Ecu 25m chapter of EIB loans in the pre-accession package.

Sweden claims violations

By Kevin Done in Stockholm

REPEATED violations of Swedish territorial waters by foreign submarines revealed in a Government report yesterday and U.S. pressure for the return of computers that it claims were being smuggled via Sweden to the Soviet Union, are putting the country's sensitive neutrality policy under renewed pressure.

Foreign submarines are believed to have penetrated Swedish waters on at least 16 occasions during autumn.

Mr Lennart Ljung, Supreme Commander of the Swedish armed forces, said it had not been possible to determine the nationality of the intruders.

Mr Carl Algerman, the War Material Inspector, is expected to report on his investigation into containers of U.S. computer equipment seized by Swedish customs during autumn.

Polish priest charged

By Christopher Bobinski in Warsaw

THE POLISH authorities have laid charges against Fr Jerzy Popieluszko, one of the country's most outspoken priests, for alleged possession of arms and explosives and helping to organise demonstrations.

Previously they had accused him of using his sermons for political purposes. Fr Popieluszko was killed by police for more than a day last week but fired after high-level talks between the Roman Catholic Church and the Government.

He himself has denied any knowledge of the explosives and leaflets the authorities say they found in his flat.

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Lambsdorff waits on the court

BY JAMES BUCHAN IN BONN

THE West German Economics Minister, Count Otto Lambsdorff, will remain in office at least until a court decides whether to open proceedings against him on charge of taking bribes.

After a meeting between Chancellor Helmut Kohl, Count Lambsdorff and the chairman of his Free Democratic Party (FDP), Herr Hans-Dietrich Genscher, the government spokesman said yesterday that there was no reason to reconsider the situation until the court decides.

Although Count Lambsdorff was charged 10 days ago with

taking bribes from the Flick concern, it is for the district court in Bonn to decide whether to follow up the public prosecution's recommendations and open proceedings.

In a fighting statement also issued yesterday, Count Lambsdorff repeated his defence that he had not "received a single Mark from the Flick company" since taking office. "I am firmly convinced that the charges in the indictment are invalid," he said.

He said he owed it to the voters to remain in office. The firm stand by Count Lambsdorff and the FDP have

done much to silence reservations within the Government that the minister's remaining in office might damage the coalition's image.

The Government spokesman's statement yesterday also reacted for the first time to charges from the opposition that the Chancellor's description of the indictment as "dumb" amounted to an attempt by the executive to influence the court. "Chancellor Kohl emphasised that the decision for Count Lambsdorff to remain in office has only political significance," the statement said.

Why Peugeot's jobs mean so much to so many

The Poissy plant is a test case, writes David Housego in Paris

M. PIERRE MAUROY, the French Prime Minister, had good reason to be pleased with the deal he struck over the Talbot car plant at Poissy on Saturday afternoon. Although it has now been questioned by the workforce, Mr Mauroy then appeared to have won the acquiescence of the Communist-led CGT union in a major industrial restructuring involving substantial redundancies.

For the Communists, the dispute over the Poissy plant, owned by Peugeot, was an important test case. The cut of 7,300 in the workforce announced in June, of which 2,900 were redundancies and the rest early retirements — was the largest ever in France, and it sprang from a company which the Communists regard as among the most reactionary in terms of labour relations.

The compromise agreed on Saturday was, as Le Monde said, a typically French affair. It involved Peugeot keeping on 1,000 of those it had planned to make redundant at a time when it can ill-afford to do so.

It also meant an additional cost to the Government in providing retraining courses — for most of the 1,900 who were to leave — schemes that many of the mainly immigrant workers do not want and which must be of dubious value, given the problems that many of them

have in reading and writing in French.

For the Communists, who have claimed that "nobody will be thrown into the street," it provided a face-saving formula — they had saved 1,000 jobs. For M. Mauroy it set an important precedent for industrial restructuring which avoided the "savage lay-offs" of Right-wing governments and which could thus be applied to other sectors such as steel, coal and shipbuilding.

In recent weeks trade union fears about the number of job losses now likely to occur in industry as a result of the Government's more liberal policy over redundancies have been growing. Elsewhere in the car industry Renault is expected to make redundant between 3,000-4,000 workers this year and Citroën up to 2,000. Some 8,000 jobs could go in steel, 8,000 in coal, 2,000 in the shipyards and many more in the overmanned telephone, refinery and engineering industries. On some estimates, 500,000 jobs in industry are threatened in the next two or three years.

The pro-Socialist CGT is more realistic over the need for restructuring than the CGT. But the complaint of M. Edmond Maire, the CGT leader, is that the Government is pushing ahead without con-

sulting the unions and without implementing the type of work-sharing arrangements that the CGT leadership favours.

Last week M. Maire accused the Government of acting in secret. He said: "They tell us nothing, they announce no plan and no numbers. They keep the trade unions uninformed. They do not even hold discussions with them."

M. Maire is particularly irri-

ted because the main reason for the government's silence is that to win the acquiescence of the rival CGT union to major shifts of policy, it cannot be seen to be publicising them.

The Communists have been far more critical. After pressing so strongly while in opposition for an expansion of steel and coal output, they find the turn-about in policy more difficult to swallow. The job losses are also concentrated in areas where their strength lies — metallurgy, coal, the shipyards.

Last month M. Henri Krasucki, the CGT leader, contended that they are not ready to march in the streets, said M. Andre Bergeron, leader of the Centrist union Force Ouvrière recently. The Communists have thus had problems in mobilising a rank and file disheartened by recession and rising unemployment. The Communists are also wary of pushing their opposition to the point where it might jeopardise a government of the Left.

At the same time, M. George Marchais stepped up his attacks on M. Laurent Fabius, the Minister of Industry, held responsible by the Communists for sacrificing jobs to profitability.

But the Communists have difficulty in pushing their campaign too far. "People are dis-

satisfied but they are not ready to march in the streets," said M. Andre Bergeron, leader of the Centrist union Force Ouvrière recently. The Communists have thus had problems in mobilising a rank and file disheartened by recession and rising unemployment. The Communists are also wary of pushing their opposition to the point where it might jeopardise a government of the Left.

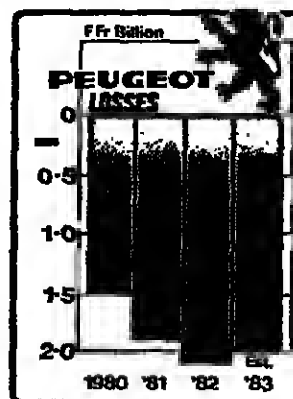
Militancy has been seen in sectors and companies where they are strong — the newspaper manufacturer Chapelle d'Arbilly at Rouen, the SKF plant outside

Paris, and the Talbot plant at Poissy. Talbot still remains one of the areas where the rank and file were prepared for tougher measures than the leadership. But pockets of the coal and shipbuilding industries could provide others.

As for Peugeot, retaining an extra 1,000 workers — equivalent to one in 80 of the labour force — will inevitably add to the strain on its balance-sheet. After consolidated losses of FFfr 1.5bn (\$124m) in 1980, FFfr 1.9bn in 1981, and FFfr 2.1bn last year, it is expected to make a further loss this year of about FFfr 2bn. These deficits have been covered by pushing up short and long-term debt, which has more than doubled over the past five years to an estimated FFfr 33bn by the end of 1983, equivalent to 40 per cent of turnover.

In 1978 the group's debt was still below the level of shareholders' funds, which stood at a healthy FFfr 13bn. By the end of last year they had shrunk to FFfr 8bn.

Financial analysts believe Peugeot would have had difficulties in meeting its commitments but for the support of a friendly domestic banking system. As it is, the company has pared back its investments, which have fallen in nominal terms from FFfr 5bn in 1980 to FFfr 4.5bn



both this year and last. It hopes to benefit next year from Government-assisted loans for automation.

Three factors, however, give cause for concern. Operating losses are likely to be lower this year than last even though these will be offset by financial charges rising by some FFfr 400m to FFfr 3.8bn.

The third factor is the increasing success of Peugeot's new 305 model and of the Citroën BX, both abroad and in the domestic market. But the company is aware that its future hangs on a knife edge.

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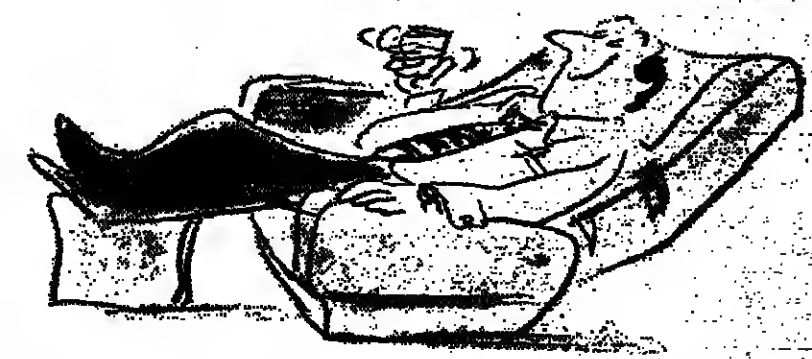
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OVERSEAS NEWS

Japanese GNP grows by 1.5% in third quarter

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

JAPAN'S GNP grew by an encouraging 1.5 per cent in the third quarter of this year, the Government announced yesterday, making it certain that the current fiscal year's 3.4 per cent growth target can be attained. It was the fastest growth for any quarter since July-September 1980 and would seem to have been caused mainly by a recovery of domestic demand.

The domestic sector of the economy contributed just under 0.9 per cent to the overall growth rate during the three-month period, while the contribution from the external sector fell slightly short of 0.7 per cent.

The shift from an externally-orientated towards a domestic ally-orientated growth pattern in line with Government plans for the economy, but has come earlier than many forecasters expected.

The factors which contributed to domestic growth during the July-September quarter were a turnaround in housing starts, reversing the declines of previous quarters, modest recovery in private capital investment — with the impetus coming from the service sector and from medium-sized manufacturers — and a strong trend in consumer demand.

There is no certainty that any of these trends have continued into the fourth quarter. However, economists seem

certain that, even with some slackening of the growth rate, the economy can achieve its targets for the 12 months ending next March 31. Real growth rates of only 0.7 per cent in each of the final two quarters are all that will be necessary for this to be achieved.

The July-September GNP figures indicate that worries about the export dependency of Japan's ruling Liberal Democratic Party (LDP), which lost its parliamentary majority in the weekend general election, yesterday regained a simple majority by retaining the support of eight independents. With 258 supporters for the LDP in the 511-seat parliament, Mr Yasuhiro Nakasone is now expected to remain as Prime Minister despite some calls for his resignation from within the LDP.

Japan's recovery may have been somewhat overdue in recent weeks. The new figures also make it virtually certain that Japan will adopt a growth target of over 4 per cent when it comes to draw up its 1984 economic programme.

A growth rate of at least 4 per cent next year would put the economy roughly back on the growth path regarded as desirable by the Economic Planning Agency.

Kuwait bars foreigners

Kuwait has imposed an indefinite ban on foreigners entering the country, according to local press reports yesterday, writes Kathy Evans in Dubai.

The reports, as yet unconfirmed, quoted Interior Ministry officials as saying the ban applies to all Arab and non-Arab nationals seeking to enter the country or renew existing visas.

The ban is likely to remain in effect until the trial of the 10 suspects being held in connection with last week's wave of car bomb attacks has been completed.

Cape Town 'spy' trial
Judgment will be given today in the Cape Town supreme court trial of the former commander of the Sinoastown

naval base, Commodore Dieter Gerhardt, and his Swiss-born wife who are charged with spying for the Soviet Union.

Commodore Gerhardt and his wife were arrested in January and charged with high treason, which carries the death penalty in South Africa. Today's judgment will be delivered in camera.

Talks in Swaziland
Mozambican and South African ministers met in Swaziland yesterday, according to Mozambique's official news agency, Aina, Reuters reports.

The agency said the purpose of the talks was to end hostilities between Mozambique and South Africa.

Australia's soft line on foreign investment

By Michael Thompson-Noel in Sydney

AUSTRALIA'S Labor Government has adopted a relatively soft line on foreign investment policy, announcing yesterday that it would follow the broad thrust of the approach formulated and refined by the former Liberal-National Party Government that lost power last March.

Mr Bob Hawke's Government has ignored an official Australian Labor Party (ALP) stipulation that Australian participation in key areas such as oil, gas, minerals and farming be extended from a minimum 50 per cent to a controlling 51 per cent.

Mr Paul Keating, the Treasurer, said in Canberra yesterday: "The Government did not move to a majority equity position (for key projects). It remains 50 per cent, and we have not extended the 50 per cent guideline to other sectors of the economy, such as manufacturing, services and minerals processing."

He added: "The problems of moving from 50 to 51 per cent are that it would look to foreigners that all foreign investment in Australia is to be controlled. . . . That only minority interest as an investment, I think the Government is quite happy with the prospect of joint control in these areas."

The Hawke Government has so far endeavored itself to the business and financial communities, and recently signalled its intention to press ahead with financial deregulation by floating the Australian dollar.

However, it is increasingly estranging the ALP left-wing, which resents the recent official go-ahead for uranium mining at Roxby Downs in South Australia, and will resent the Government's "soft" line on foreign investment.

At present, all foreign investment proposals worth more than A\$350,000.

Special controls apply to finance, insurance, the media, civil aviation and uranium. Mr Keating said the Government had recognised that, in future, Australia "will continue to require substantial foreign investment if the rate of growth of our economy is to be maximised."

Total foreign investment in Australia in 1981-82 was A\$9.5bn.

LIEUTENANT GENERAL Hossain Mohammed Ershad, Bangladesh's military ruler, appears to have outmanoeuvred his opponents this month with a striking conciliatory gesture.

By releasing all political prisoners and withdrawing prosecutions against others, he responded to a major opposition demand and took a large step towards defusing what was beginning to look like an ugly political situation.

The stage is now set for the opening of a dialogue between Lt-Gen Ershad, who named himself President on December 11, and the main opposition leaders, Begum Khaleda Zia of the Bangladesh Nationalist Party (BNP) and Mrs Sheikh Hasina Wajed of the Awami League.

Ershad's behaviour in recent weeks has demonstrated two characteristics of his rule. First, he is firmly in control of the country, which has been under martial law since he seized power in March, 1982. He swiftly suppressed the violent

riots in Dhaka and Chittagong in late November, ordering political party leaders arrested; the effectiveness of the crackdown was such that Bangladesh was able to play host to its largest-ever international meeting, bringing together 44 Islamic foreign ministers, only a few days later.

Secondly, he remains a consensus politician, and is unlikely to emerge as a strongman like former President Ziaur Rahman, who was assassinated in May, 1981.

Thus although the violence, in which six people died, had seemed to pose a serious setback to the regime's plans for a gradual return to civilian rule with presidential and parliamentary elections in May and August, Ershad was quick to give an assurance that his election timetable would be strictly followed.

But perhaps the most significant element of last month's action was the emergence of Begum Khaleda Zia, 38, and

Sheikh Hasina Wajed, 36, as principal opposition leaders spearheading the Movement for the Restoration of Democracy. Begum Zia, as she is known, is the widow of the late Ziaur Rahman, and now heads a seven-party alliance grouped behind the Bangladesh Nationalist Party. She enjoys considerable respect within the army rank and file and turned out to be the biggest crowd-puller in the country during last month's campaign.

Sheikh Hasina, whose Awami League leads a 15-party alliance, is also basking in reflected glory — that of her father, the late Sheikh Mujibur Rahman, the country's founding father who was assassinated by a group of young army officers in August 1975.

Interestingly, the Government appears to have singled these two leaders out for special treatment among opposition figures. During their "protective detention" following the November riots, they were

treated with the utmost care and respect, and they were released at a time when other alliance leaders, in hiding, were trying to organise continued resistance.

Some Government leaders have privately been trying to absolve the Awami League and the BNP of a role in the violence. Lt-Gen Ershad himself told a public meeting only days afterwards that "only a few political parties" had pushed the country into that situation.

Government officials claim that President Ershad has already established direct contacts with both Begum Zia and Sheikh Hasina with a view to accommodating their basic demands. This is denied by opposition members. Begum Zia and Sheikh Hasina are both insisting that any discussion with the Government has to be based on their five demands, which include an immediate lifting of martial law, and the

President appears ready to consider including these on the agenda.

The Government's approach to the two leaders could be an attempt to split the opposition. Both opposition groups embrace several small but extreme left-wing parties which appear to be interested in fomenting uncertainty.

But the Government, which has taken decisive steps to encourage private investment, both foreign and local, appears in no mood to tolerate the emergence of any leftist political movement.

Apparently sensing danger, the pro-Moscow Communist Party of Bangladesh (CPB) has strongly advised the 15-party alliance to which it belongs not to participate in a broad-based movement at present. The CPB seems to fear that the Government would try to crack down on left-wing parties if the Movement for the Restoration of Democracy continues to plague the country's stability.

Ershad outmanoeuvres the opposition

Bangladesh's President is courting moderate leaders, writes Sayed Kamaluddin

India erects a barbed-wire Berlin Wall

BY JOHN ELLIOTT, SOUTH ASIA CORRESPONDENT

SMUGGLING of second-hand American and European clothes from Bangladesh to India in return for cattle will become more difficult in a few weeks' time when India goes ahead with plans to build a barbed wire fence between the two countries as Asia's answer to the Berlin Wall.

The border is about 2,350 miles long and includes mountains, massive rivers like the Ganges, and other inaccessible and often flooded terrain. There are some easier areas and at present the border is open apart from some guard posts built in the past few months.

India is planning a fence with an adjacent jeep track guarded by local police and the country's border security force. The cost of installation alone has been estimated at \$500m (£352m).

The main reason why Mr Indira Gandhi, India's Prime Minister is apparently determined to go ahead with this expensive and somewhat impractical exercise is to win support for her Congress (I) Party in the troubled state of Assam which is complaining of an influx of several thousand Bangladeshis every month. India says up to 100,000 arrive yearly of whom 40,000 to 50,000 are caught and returned while the balance stay in India.

But the plan is also a graphic example of the aggressive and — according to foreign diplomats — high-handed style India adopts in its dealings with its smaller neighbours.

India's relations with Bangladesh are far more friendly than with Pakistan, although it does have potentially serious differences over distribution and sharing of the region's rivers.

But India plans to start construction of the fence within a few weeks and it has not officially told Bangladesh about the project.

India's territory hooks round Bangladesh from Calcutta on the west side of the mouth of the Ganges to the Bangladesh port of Chittagong in the East. On the way the border passes the Indian city of Darjeeling, runs alongside Assam and is round to the distant Indian

states of Tripura, Nagaland, Manipur and Mizoram adjacent to Burma.

The Indian Government has been stating, contrary to widespread belief, that it intends to fence the whole length, with states such as West Bengal and Tripura erecting their own sections. It acknowledges that this will take perhaps two or three years to complete.

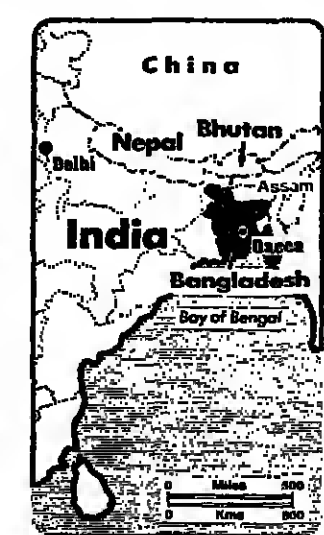
Most observers believe that only a shorter 165-mile section along the Assam border will be built to meet the wishes of the man who launched the idea six months ago with a call for a full wall, Mr Hiteswar Saikia, the state's Congress (I) Chief Minister.

Some sceptics even doubt whether more than a few well-publicised miles will be built soon and say a long length could not be effectively policed. Indian ministers say there is no need for them to inform

Bangladesh of their plans because the fence will be in Indian territory.

Meanwhile, the Bangladesh Government does not feel powerful enough to protest formally, and General Ershad, the country's military ruler, merely sounds hurt and indignant about his next door neighbour's behaviour. He did not even raise the matter when he met Mrs Gandhi formally during the recent Commonwealth Summit in Delhi.

Privately, however, Bangladesh ministers still refuse to believe it will ever be built. They insist there is no fight of Bangladeshis to the richer land of India in any case. They also suggest that India's real aim might be to keep its own West Bengalis out of the state of Assam which itself would help to defuse the Assamese situation. But it is the apparent



impracticability of the project which surprises most people. It might be different if the fence were electrified—but that is impossible because the area suffers some of the worst power shortages in India.

Reviews by the chairmen of the Orange Free State gold mining companies administered by Anglo American Corporation

"For the first time in the mining industry, representatives of black employees participated in the annual wage determination process."

Mr. D. A. Ebersole, chairman of President Brand; Mr. G. Langton, chairman of President Steyn; Mr. N. F. Oppenheimer, chairman of Western Holdings; and, Mr. E. R. Gush, chairman of Free State Gold.

Fortunately the endeavours of the South African monetary and fiscal authorities are bearing fruit and inflation is continuing to drop from a peak of 18.6 per cent in early 1980. This is reflected in the gold mining industry's lower increase in cost of ion milled for the year to September 1983 which of 10.6 per cent, is the lowest increase recorded for some years. Management continues to place a major emphasis on cost control, but with a steady rise in basic costs of labour, stores and services, the cost of ion milled of gold produced is still rising at an uncomfortably high rate.

The drought experienced over most of the Republic for the past two years has left the major storage dams at historically low levels. Since most power stations rely on these dams for their cooling water, there has been a real possibility of curtailments in electricity generation. Fortunately good rains have fallen since October over most of the important catchment areas. Further good falls are needed, however, to ensure adequate water supplies beyond 1984, taking into account the serious possibility of cuts in power output will again have to be faced. For their part, the mines have made significant savings in both water and electricity consumption as part of the national effort to conserve these commodities.

Gold
The price of gold averaged \$433 an ounce of the London fixing during the year ended September 30 1983, compared with \$374 during the previous year, representing an increase of 16 per cent. In rand terms, however, the gold price received during the financial year increased by 24 per cent, reflecting the further decline of the rand against the United States dollar.

Since the end of the financial year the dollar has retreated significantly against other major currencies. It has been generally anticipated that any such weakness in the dollar would be mirrored in a boost to the gold price. When this did not occur, and signs of an unseasonal weakness in the price of gold, disappointed investors sold gold and short positions were again triggered, pushing gold down through the psychologically important \$400 level.

The continued weakness of gold is unlikely to be reversed until the metal is once more seen as a sound investment in an environment of lower real interest rates and rising inflation in the US. It would seem that the growth of the US economy is being achieved without any anticipated change in either of these two important factors. While gold's performance in terms of US dollars has been disappointing, the picture is brighter in terms of most other currencies, including the rand.

In the year ahead, provided economic growth is maintained in the US and extends to the rest of the world, industrial demand for gold should strengthen, especially as

manufacturers' inventories are known to be low. Moreover, the international debt situation is still far from resolved and could become critical again at any time. The gold price therefore may not move out of the range of \$370 - \$430 for any sustained period until there is a change in investment climate and possibly even until the outcome of the US presidential election is known. I have little doubt, however, that a resumption of its long-term upward trend will follow.

Uranium
Prices for uranium on the spot market have tended to move upwards throughout the year and now stand some 40 per cent higher than the lowest reached in August 1982. While this trend has eased the downward pressure on prices for material sold under long-term contracts, overall supplies are still expected to exceed consumption demand for some years to come. I do not, therefore, foresee any material improvement for another few years, either in contractual prices or in a new demand.

Labour and industrial relations
The mining industry is committed to abolishing racial discrimination in employment and to controlling bargaining on all matters that concern the industry as a whole. There were notable achievements in both these areas during the year. Perhaps the most significant was the recognition by the Chamber of Mines of two black trade unions, namely the Federated Mining Union and the National Union of Mineworkers. Although representing only a small proportion of the total workforce, these unions are now actively engaged in discussions with the Chamber on a variety of issues for the first time in the mining industry's history of black employees participating in the annual wage determination process.

A major step forward in industrial relations was the agreement with the Underground Officials Association to the stopping of Job Reservation Determination No. 27. This legislation, which reserved occupations falling within the remit of the UOA for whites only, has been withdrawn by the Minister of Manpower and Training for positions in sampling, survey and ventilation are now selected on a non-racial basis.

On the other hand, very little progress has been made in the negotiations between the Chamber of Mines and the white unions to remove the racially discriminatory definition of "scheduled person" from the Mines and Works Act. This effectively prevents blacks from promotion beyond a relatively low level in mining and is the last legal obstacle to overcome before there is equal opportunity in the industry. The government while paper following the Weinman Commission report recommended that the parties involved agree on guarantees in regard to the job security of white employees before replacing the definition of "scheduled person" with the non-discriminatory definition of "competent person" in the Act. Negotiations to this end began some two years ago and as yet there has been no significant advance on this issue. It would now seem appropriate, therefore, to remove this discrimination by legislation since the "reasonable period of time", as specified in the white paper, must be running out.

SUMMARY OF OPERATIONS

	Free State Gold 1983	1982	President Brand 1982	1981	President Steyn 1982	1981	Western Holdings 1983	1982
GOLD								
Yield milled 000's	3,849	3,065	3,505	3,429	3,980	3,877	8,985	8,134
Yield - grams/ton	7.00	8.41	6.87	7.42	6.35	6.40	4.48	4.91
Production (kg)	28,849	25,778	24,081	25,456	26,080	24,827	40,324	39,917
Cost Rand/ton milled	87.06	82.38	80.92	45.82	51.65	45.76	41.49	39.77
Cost Rand/kg produced	9,578	7,418	7,411	6,145	7,882	7,146	9,256	8,105
Revenue Rand/kg	15,377	12,518	15,443	12,603	15,331	12,692	15,319	12,654
Working Profit Rand/000's	157,348	132,288	194,473	165,178	195,432	136,487	248,172	182,682
Capital Expenditure	68,790	111,197	64,724	45,717	38,652	44,781	99,631	107,370
Dividends cents per share	455	310	510	435	535	380	680	480
JOINT METALLURGICAL SCHEME								
Attributable profit Rand/000's	5,684	4,957	23,822	17,421	19,738	19,841	6,494	4,452

The annual general meetings of these companies, all of which are incorporated in the Republic of South Africa, will be held at 44, Main Street, Johannesburg, South Africa, on 26 January 1984. Full copies of each of the chairman's reviews together with the annual reports of all the companies may be obtained from their London office at 40, Holborn Viaduct, EC1P 1AL, or from the office of the United Kingdom Transfer Secretaries, Charter Consolidated PLC, P.O. Box 102, Charter House, Park Street, Ashford, Kent TN24 8EQ.

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Sel. Oppenheim Jr. & Cie.

Schröder, Mönchmeyer, Hengst & Co.

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AMERICAN NEWS

Marine command criticised over Beirut truck bomb

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

CONGRESSIONAL concern over the deployment of U.S. marines in Beirut surfaced sharply in Washington yesterday, with the publication of a report criticising marine commanders for "very serious errors in judgment" in allegedly failing to provide adequate security measures for the troops' protection.

The report, by the investigation sub-committee of the House Armed Services Committee, concluded that officers on the ground in Beirut and their superiors up through the chain of command were responsible for leaving the marines vulnerable to the October 23 truck bomb attack that killed 241 U.S. Servicemen.

The unusually severe advisory report on the bombing must still be approved by the full Democratic House Committee.

It served, however, as a clear warning to the Administration that Congress is likely to adopt a much tougher line on continuing marine participation in the Lebanese multinational peace-keeping force when Congressmen return from the Christmas recess next month.

The report said bluntly: "Failure of the Administration adequately to re-examine its policy and relate it to present conditions will only mean that such re-examination will have to be done by Congress." It made clear that the sub-committee regarded the Administration as partly to blame for the incident, which shocked U.S. public opinion and led to widespread national anxiety over the marines' continued deployment as "sitting ducks" at Beirut airport.

"must call to account the higher policy-making authority which adopted and continued a policy that placed military units in a deployment where protection was inevitably inadequate."

A senior State Department official pledged that the Administration would continue to take Congressional concerns extremely seriously. But he stressed the marine presence had not so far been a partisan issue and said the Administration did not expect to be "dragged into" a decision on the marines' future role by Congress.

Just before the truck bomb incident, Congress authorised the marines to stay in Lebanon for a further 18 months, beyond next year's U.S. elections—subject to restrictions on their numbers and mission.

CBS to examine satellite venture

By Paul Taylor in New York

CBS, the U.S. television and entertainment group, and Comsat, the satellite communications group, said yesterday that they are considering setting up a joint venture, possibly with other partners, to provide a direct broadcast satellite system (DBS) service.

Comsat's satellite television corporation subsidiary, is already in the race to provide DBS services in the U.S. and plans to offer a DBS service using leased satellite space to subscribers in north eastern states beginning in autumn 1984.

DBS services are seen as an alternative to other television programme delivery systems like cable. DBS uses satellites and rooftop dish aerials to deliver pay-television programmes to subscribers.

Yesterday Comsat and CBS said simply that they have agreed to a joint exploration of such a link-up. The companies said the discussions will include efforts to identify other venture partners and to continue work on all aspects of direct-to-home broadcast satellite systems.

UK to hire shuttle for Skynet launch

By Peter Marsh in London

BRITAIN will hire the U.S. space shuttle as the launch vehicle for the country's next generation of military satellites, the UK Government confirmed yesterday.

The decision has caused a stir in France, where officials have accused Britain of breaking ranks with the members of a consortium that developed the Ariane rocket as an alternative to the shuttle.

The shuttle will put two Skynet satellites into orbit for military communications.

The design work on the satellites started before Ariane was fully proven, the officials say. They accept that the European rocket is not properly tested. It is not ruled out as the launch vehicle for further generations of British satellites.

Chile military stays out in the cold

AS ARGENTINA adjust to life under a democratically-elected Government, its neighbour and sometime territorial rival Chile is looking on with a mixture of envy and concern.

The main focus of attention for General Augusto Pinochet's regime is the lifting of a seven-year ban on U.S. arms sales to Argentina, with no immediate prospect that Washington will also resume supply of arms to Chile.

The arms embargo was imposed on both countries by the U.S. Congress in 1976. Five years later, it voted to lift the ban pending certification by the Reagan Administration that both governments had made substantial progress in ending human rights abuses.

But while this was granted for Argentina when President Raul Alfonsín took office on December 10, an equivalent move for Chile appears a long way off.

Chilean military strategists do not see a direct threat in the renewed possibility of Argentine arms purchases from the U.S. Indeed, they are less concerned about their country's long-running dispute with Argentina over the Beagle Channel with Sr. Alfonsín as President in Buenos Aires than they were when the military was in charge although they are worried at the possibility that a civilian-run Argentina could be used as a refuge for leftist terrorists mounting attacks within Chile.

Nevertheless, they do need spare parts from the U.S. for previously-purchased American equipment, as well as anti-tank and anti-aircraft weaponry.

According to Chilean human rights groups, the number of arrests and reports of torture during the first 10 months of the year was more than triple the figure in the same period of 1982. This reflects the authorities' reaction to the mass anti-Government protests which have shaken the country since May.

Diplomatic and defence sources in Santiago see the Pinochet regime as highly unlikely to modify any of its security practices in order to gain the human rights certification necessary for the lifting of the U.S. arms embargo.

carriers under a license from the Swiss firm Motorwagenfabrik (Mowag). The carriers can be mounted with mortars, anti-aircraft artillery or early warning radar systems. The Chilean company Cardoen has reportedly received inquiries from interested buyers in Morocco and El Salvador.

Chile's armed forces also buy some small weapons from South Africa and tanks, ammunition and small arms from Israel, including the submachine guns

The U.S. decision to lift its ban on arms sales to Argentina has left the Pinochet regime looking enviously across the Andes, but there is no plan to follow Sr. Raul Alfonsín's moves on human rights as a pre-condition for U.S. favour, Mary Helen Spooner reports from Santiago.

Chile's Foreign Minister, Sr. Miguel Schweitzer, who in the past has made remarks critical of the Reagan Administration's stance towards Chile, said recently that the regime had not requested certification, which he described as an internal matter for the United States.

The U.S. is the Chilean military's traditional source of arms, but over the years the regime has managed without American weaponry and even developed its own modest armaments industry. Local manufacturers produce small arms, grenades, ammunition and motors. Chile also has a small air force training place, the Pílan, which made its debut earlier this year at an international air show in Paris.

A private Chilean firm is also building armoured personnel

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A private Chilean firm is also building armoured personnel

tanks continued right up to the outbreak of the Falklands war last year.

Britain, which lifted its arms embargo against Chile in 1980 and which has since sold the Chilean Navy two ships, may provide the anti-tank and anti-aircraft weaponry Chile is seeking.

The Chilean Navy is thought to be in the market for more British ships, provided such sales can be made without too much controversy. Last spring, the Chilean Defence Minister, Admiral Patricio Carvajal, denied reports that Chile was negotiating the purchase of the HMS Hermes, a veteran of the Falklands war, while confirming that Chile was interested in buying an aircraft carrier. More recently, Navy Commander Admiral José Merino denied reports that Chile was seriously considering buying another Falklands veteran, the destroyer HMS Antrim.

Both Chile and Britain have been informed by American officials that the U.S. will avoid major arms sales to Argentina, examining requests for such purchases on a case by case basis.

President Reagan sent a personal letter to General Pinochet advising him that the U.S. will avoid the decision to lift the embargo against Argentina. The following week U.S. special envoy General Vernon Walters visited Santiago and held two meetings with General Pinochet to discuss U.S. arms sale policy towards Argentina—and presumably what his regime might do in order to qualify for human rights certification and have the U.S. arms bazaar opened to Chile as well.

New housing starts recover

BY STEWART FLEMING IN WASHINGTON

A RECOVERY in the level of new housing start in November and another strong gain in personal income announced by the U.S. Commerce Department yesterday, have reinforced expectations of a vigorous rise in Gross National Product in the fourth quarter.

Housing starts in November rose 6.4 per cent last month to a seasonally-adjusted annual rate of 1.75m units after slumping from 1.6m in August to 1.55m in October.

Monthly housing-start figures, especially in the winter, may have seasonal adjustments play a big role, are an indicator which

has to be treated with some caution.

However, the Commerce Department also disclosed that for the second consecutive month, new building permits rose modestly to an annual rate of 1.65m units. Within this total, permits for single family homes increased by 3 per cent to 906,000.

Taken together, the figures suggest that the slowdown in housing activity evident in the summer after mortgage rates jumped almost 2 percentage points to about 14 per cent between May and August, may have bottomed out.

Many economists have been

predicting that housing starts in 1984 will be around the 1.6m units level which seems likely for 1983. The 1983 figure will be some 60 per cent above the 1982 level, underlining the major role housing has had in pulling the economy out of recession.

The gain in personal income in November was 0.7 per cent to a seasonally-adjusted annual rate of \$2,332m. Although down from the 1.1 per cent rise reported in October, the increase was inflated by special factors, including the end of a telephone industry strike which had depressed personal income in the summer.

Greyhound staff back wage cut

BY PAUL TAYLOR IN NEW YORK

GREYHOUND LINE'S striking workers voted by a three-to-one margin to accept cuts which will package of wage cuts which will leave the nation's largest bus carrier between \$40m and \$60m (\$26m and \$40m) a year and end a bitter seven-week dispute.

The new three-year contract, which provides for a 7.5 per cent wage cut, a 4 per cent employee contribution to the com-

pany's pension plan, and increased worker contributions to health care costs and other concessions, was approved by a vote of 7,404 to 2,596.

The Amalgamated Transit Union, which represents about 12,700 drivers and other employees, had earlier opposed a tougher package of wage concessions sought by the company. Mr John Teets, Greyhound's chairman, said after the results were announced: "We are very

pleased to put it mildly."

As a result, Greyhound plans to restart full inter-city bus services—about 2,000 daily trips in 48 states—by today, and will offer discounts to bus travellers to encourage them to turn back lost business.

Greyhound, which hired around 1,500 people during the dispute in an attempt to break the strike and maintain services, said it will try to keep those hired during the dispute

UK to hire shuttle for Skynet launch

By Peter Marsh in London

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Argentine unions set for clash with Alfonsín

BY JIMMY BURNS IN BUENOS AIRES

UNION LEADERS of Argentina's Peronist-controlled trade union organisation, the General Confederation of Labour (CGT), have fired an opening salvo in what threatens to be a drawn-out confrontation with the newly-elected radical Government of Sr. Raul Alfonsín.

Sr. Saul Ubaldini, secretary-general of the CGT's militant branch, said his members were on a "state of alert"—a euphemism heralding the possibility of strike action—after declaring his opposition to the Government's proposed salary increases and the Govern-

ment's plans for union reform.

Last Friday Sr. Alfonsín announced a 1,000 pesos rise on all salaries—equivalent to a 36 per cent increase in the current minimum wage. Union leaders had been demanding an increase of at least 80 per cent.

The newly-elected Parliament is also preparing to debate a draft law which calls for direct elections of union leaders and minority representation of independent members on union boards.

Sr. Alfonsín says he wants to democratise the unions, but his opponents insist

the reforms aim to divide and weaken labour.

After a meeting with more than 200 branch secretaries, Sr. Ubaldini described the new wage increase as a "pittance" and the draft law as an "aggression against the labour movement," although he did not indicate how soon he would ask many of the heavy dues which he controls to undertake industrial action.

Government officials are privately confident that union opposition in the coming weeks may prove weaker than anticipated because of disaffection among rank-and-file members

with the leadership. Sr. Alfonsín's strong electoral support in many working districts appears to indicate that the Peronist party no longer enjoys a monopoly as the champion of social justice.

The Government, however, could find itself in difficulties if the CGT's militant supporters refuse to go along with a prior and incomes policy aimed at bringing the country's 400 per cent inflation to two digit figures by the end of next year. The Government is hoping to trade wage restraint in return for price controls, job creation, and 5 per cent growth.

WORLD TRADE NEWS

Moscow may build major Pakistan power projects

BY MOHAMED AFTAB IN ISLAMABAD

THE SOVIET Union will help complete a \$277m, 630 Mw thermal power plant in Pakistan and will consider an invitation to help build a \$3.7bn multipurpose dam and a \$1.7bn nuclear power plant to help solve the country's critical agricultural and electrical power needs.

These projects are elements of a major programme to expand trade and economic ties between the two countries. The Soviet move to expand links with Pakistan emerged yesterday as a result of recent meetings in Moscow between Mr Ghulam Ishaq Khan, Pakistan's Finance Minister, and senior Soviet trade officials.

For the thermal power station, which is located at Multan, the Russians have offered to supply credits at "fairly soft terms," said the Pakistani Minister, and have agreed to sell Pakistan two deep pit drilling rigs worth \$6m to be repaid in exports of Pakistani goods.

The Soviet Union's decision to consider participating in the dam project, which is planned for Kalabagh, is the result of a Pakistani programme to construct a dam that would generate 2,400 Mw of power by 1993, and later to be increased to 4,200 Mw by 1995. The dam

would irrigate 9.4m acres of land. The nuclear power plant to be built at Chashma, is to produce 900Mw of power.

Mr Ishaq Khan said that "the Soviet Union has confirmed categorically that it has the expertise and equipment for the Kalabagh and Chashma projects. . . . Since these are large projects, which we suggested to the Soviet side for the first time, they have asked for time to consider the terms."

Noting that his Soviet counterparts had showed increased interest in co-operating with Islamabad, the minister said Moscow was seeking ways to develop its presence in Pakistan after it finishes building Pakistan's first steel mill near Karachi next year. Moscow has provided \$800m for the steel mills, projects which were re-buffed for years by most western nations before Moscow became involved in the early 1970s. Asked the reason for the Soviet interest in project development, given the two countries' opposite views on the Afghanistan war, Mr Ishaq Khan told reporters: "I do not know." He is understood, however, to want to maintain inflows of aid from both East and West for Pakistan's \$3.7bn sixth five-year plan (1983-88).

W. Germans seek to sell more fabrics to Asia

BY JOHN DAVIES IN FRANKFURT

THE WEST German textile industry is looking to Asia as a potential market for high-quality fabrics.

Manufacturers' interest in Asia is being kindled by a trade delegation sent to the region recently by Gesamttextil, the textile industry association.

Herr Erhard Plutte, president of Gesamttextil, said that Singapore, Hong Kong and Taiwan were prospective markets for West German textile materials—notably for production of clothing to be sold in Europe, Japan and the U.S.

Manufacturers in Asia were anxious to find alternatives to Japanese sources of such fabrics, he said.

Herr Plutte said that Hong Kong imported yaro and cloth worth U.S.\$3bn a year, but West

Germany had only 1 per cent of this market at present.

He said that West Germany had a huge deficit in textile trade with Asia, but should try to correct this. Gesamttextil would play an active role in drawing the attention of producers to the opportunities in Asia.

Herr Plutte also called on European Community officials in Brussels to stand firm against demands by China for the opportunity to sell more textile products in Europe.

He said that China over-estimated the European market's ability to absorb Chinese textiles and was unjustified in seeking higher sales in return for its own purchases of other types of goods, such as ships from West Germany.

Taiwan plans to increase purchases from Netherlands

BY WALTER ELLIS IN AMSTERDAM

MR SUN-YUAN-SUAN, Prime Minister of Taiwan, has told the leader of a Dutch trade delegation in Taipei that Taiwan intends to increase its imports from the Netherlands by up to 40 per cent annually if that will make it easier for the government in The Hague to approve the construction of ships for the Taiwanese navy.

The Amsterdam shipyard, Witson Fienoord, is already building two submarines for Taiwan. The new orders could be for a further two submarines and a number of surface vessels, to a value of as much as Fl 30m (£880m).

Mr Willem Dik, a former trade minister, who went to Taipei 10 days ago at the head of a team of Dutch officials and industrialists, said that Premier Sun was aware of the fact that building submarines and other vessels for Taiwan could cost the Netherlands orders elsewhere—notably with China. Accordingly, Taiwan was ready to step up civil orders alongside those for military hardware. Taiwanese industrialists and traders would be told that imports from the Netherlands

were a matter of some importance.

If the authorities in Taiwan do go out of their way to stress the importance of Dutch trade, there is little doubt that new orders will follow. Under the martial law legislation which governs much of Taiwanese public life, the Government's requirements, especially when linked to national security, carry great force.

In the first 11 months of this year, Dutch exports to Taiwan reached a total value of more than Fl 600m—a 40 per cent increase over the same period

in 1982. But there is still a substantial trade deficit, which both sides wish to put right.

The Taiwanese are anxious to smooth the path for military purchases. They also want to say "thank you" to the Netherlands for permitting a direct air link between Amsterdam and Taipei. The frequency of service on the route—operated jointly by KLM and China Airlines—has recently been doubled to two flights a week each way and constitutes Taiwan's only regular connection with Europe.

For the Dutch, the name of the game is money and orders.

Imports are being restricted after the years of plenty. Canute James reports

The oil slump catches up with Trinidad



Mr George Chambers

TRINIDAD and Tobago, with a population of 1.1m, last year spent \$40m on imported whisky. Another \$100m went towards satisfying the wanderlust of its nationals. Such is the level of consumerism that the twin island state's ratio of one vehicle to every three persons creates some of the longest traffic jams found anywhere in the world.

All this, and perhaps also radio advertisements as early as July urging people to buy for Christmas, led the island's oil tycoon to the top of the local hit parade, to describe the country as representing "capitalism gone mad."

It became too much for Mr George Chambers, the Prime Minister, who recently imposed import restrictions designed to conserve dwindling hard currency reserves. For eight years, Trinidad and Tobago lived high on the fat of its oil revenues. Buoyed by oil earnings, the country's reserves reached

\$3.2bn a few years ago. It became the envy of its less fortunate neighbours in the Caribbean. But with the softening of the oil market, the country is headed towards joining the league of hard-pressed economies around it.

Reserves fell to \$2.79bn last year, and were down by another \$608m by the end of September. Describing the situation as a "virtual bloodbath" of hard currency, the Prime Minister moved all responsibility for the allocation of foreign exchange for imports to the central bank.

The aim of the new restrictions, in which there is reduced allocation for the import of non-essential items, is to use our strategic foreign exchange to strengthen the productive base of the economy and its ability to export," according to Mr Chambers.

Local business leaders say the opposite will happen. Mr John Rooks, former president of the

Trinidad Chamber of Commerce, said the new measures represented "a diabolical scheme for finally completing the demise of our economy."

Complaining of immediate delays in clearing imports, the Trinidad Chamber of Commerce said the new measures "would bring trade in the country to a halt."

Mr Chambers' options are limited. He presides over a lopsided economy, totally dependent on oil which accounts for 90 per cent of all exports. Six years ago, oil exports totalled 50m barrels per year. Last year's output was 65m barrels.

Consequently, trade surpluses of \$650m in 1980 and \$225m in 1981 were transformed to a deficit of \$193m last year. The deficit on non-oil trade was \$2.2bn.

Mr Patrick Manning, the Energy Minister, is viewing the situation with more than passing concern. "Revenues from oil last year were \$1.44bn. We projected revenues for this year at \$1.29bn, but we now expect that they will be \$250m below this," he says.

The sugar industry, once an

important arm of the economy, is going sour. Output fell from 142,000 tonnes in 1979 to 77,000 tonnes this year. The sector is reported to lose \$800 on every tonne milled. Local businessmen say the Government has ignored agriculture to concentrate on heavy industry. An industrial estate has been established at Point Lisas in South Trinidad, the site of several plants fired by local oil and gas.

Mr Chambers, while fighting to keep the economy on an even keel, and reduce unemployment, conservatively put at about 20 per cent, must be acutely bopping the industrial problems which have overtaken the state-owned Iron and Steel Company of Trinidad and Tobago. After shipping 55,000 tonnes of wire rods to the U.S. last year, it lost the market after several U.S. steel producers filed writs accusing Trinidad of dumping.

Volvo, already produces 55 per cent of the country's current annual production of about 800 trucks with designs derived from a former technical link up with Volvo of the U.S. for up to three tons. It had planned to link up with Kalmar of Sweden for the larger sizes but Kalmar did not want to go ahead immediately with technical transfer for production in India so Volvo switched to Lancer.

The second company is Lancer Bussell whose 12 to 40 tonnes trucks will be produced by Tectamex of Calcutta, a textile machinery and machine tool manufacturer which is entering this field for the first time. Tectamex is part of one of the Birla Groups of Companies.

Both deals involve technical collaboration and are the first for truck lift trucks in India for many years.

The Volvo Bussell from Lancer Bussell is for eight years and is paying a \$100,000 unit price royalty at 3.5 per cent of sales. Production is to be gradually indigenised over five years with production building up from 12 trucks in the first year to about 60 in the fifth year.

UK groups link with Indian fork lift makers

By John Elliott in New Delhi

TWO medium sized UK engineering companies are linking up with India's two biggest, joint-venture groups in a move to produce a major expansion of the Indian fork lift truck market.

Lancer Buss is finalising plans for production of seven sizes of trucks between 10 tonnes and 40 tonnes with Volvo of Bombay, part of the Tata Group.

Volvo, already produces 55 per cent of the country's current annual production of about 800 trucks with designs derived from a former technical link up with Volvo of the U.S. for up to three tons. It had planned to link up with Kalmar of Sweden for the larger sizes but Kalmar did not want to go ahead immediately with technical transfer for production in India so Volvo switched to Lancer.

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Australia, Britain sign N-waste deal

AUSTRALIA and Britain have signed an agreement to study nuclear waste treatment and disposal. British Thomson-Vacuum, Sydney, the programme will involve a major investigation into the use of a material developed by the Australian National University, which has high promise as a waste treatment material.

Australia is a pilot demonstration plant at the Australian Atomic Energy Commission's research establishment.

Nissan's UK plant hopes

BY JOHN GRIFFITHS

There appears to be little prospect of Nissan making an announcement by the end of this year whether it will set up a car manufacturing plant in the UK.

Mr Takashi Ishihara, Nissan's president, said in Tokyo yesterday that the company had not "given up hope" of reaching consensus with its union about the project by the year end—"but it may be difficult."

The Federation of Japanese Automobile Workers has publicly opposed the project in its

original form, which envisaged annual output of 200,000 cars a year. The union claimed that on the original plans, the UK plant would be a substantial long-term loss-maker, and would have damaging consequences for the Japanese domestic industry.

While UK Department of Trade and Industry officials expect that the original project would be scaled down, reports that Nissan would want initially to set up just an assembly plant producing as few as 30,000 cars a year are discounted.

UK NEWS

Rise in GDP puts 3% growth target in sights

BY PHILIP STEPHENS

THE BRITISH Government was confident last night that it will hit its target for 3 per cent growth in the economy. This followed the release of figures showing a healthy rise in gross domestic product (GDP) in the third quarter.

Provisional estimates from the Central Statistical Office (CSO) show that the average measure of GDP (at constant factor cost) rose by 0.8 per cent in the three months to end-September to give a year-on-year rise of 2.7 per cent.

The output measure, which the Treasury regards as a better guide to short-term movements, rose even faster, with a 1.2 per cent increase in the third quarter. It now stands 2.25 per cent above the level at the corresponding time in 1982.

The CSO said that construction output rose by 6.5 per cent in the third quarter, compared with the corresponding period in 1982, but this partly reflected unusual weather conditions.

Activity in the distribution and transport sectors rose by about 2

per cent, but the increase in the manufacturing sector was less than half that amount.

In Whitehall yesterday officials described the figures as encouraging and entirely consistent with the Government's target.

The average measures of GDP has now risen by more than 5.5 per cent above its trough in the second quarter of 1981. The Treasury also expressed satisfaction with statistics showing that gross company trading profits grew by nearly 30 per cent between the third quarters of 1982 and 1983.

The Government hopes that much of these extra profits will be channelled into new investment, broadening the basis of economic recovery from a consumer-led boom to investment and exports.

On a less encouraging note, the CSO said that the balance in overseas trade in goods and services worsened in the third quarter, with imports growing faster than exports.

Lex, Page 10

Curbs on Xerox relaxed

RANK XEROX, the photocopier company, has been released from certain undertakings given to the Government after the Monopolies and Mergers Commission report on plain paper copiers in 1976.

These recognise the major changes in the copier industry since that time, when Rank Xerox dominated the market. It now faces widespread competition, particularly from Japanese companies.

Rank Xerox is no longer obliged to sell as well as rent. Selling is now a major part of Rank Xerox's business and it is unlikely to resume a rental only policy.

A requirement to tell the Director General of Fair Trading before any changes in its discount plan for large rental customers has also been lifted, Rank Xerox says this means it will be easier and quicker to change its complex pricing structures. However, the company will still be required to allow customers to purchase toner separately from copiers.

THE UK should upgrade incentives to overseas multinationals if it is to maintain its share of a diminishing world flow of foreign direct investment, a Department of Trade report said yesterday.

AMERICAN broadcasting Company (ABC) and ESPN, the U.S. cable sport channel owned by Getty Oil, are to take a substantial minority stake in Screen Sport, the UK cable television sports channel.

A BILL to empower the Government to limit local authority rate (property tax) increases was published yesterday. If approved by parliament, the powers would end centuries of freedom by authorities to set their own expenditure and tax levels. The Labour opposition attacked the measures as an "Orwellian nightmare".

TRADES UNION Congress leaders are expected today to authorise a further large-scale campaign against government plans to privatise sections of British industry.

WORLD ECONOMIC INDICATORS
every Monday—
Only in the
Financial Times

Massey buys Rolls Diesels

By Ian Rodger

VICKERS has agreed to sell its Rolls-Royce diesel engine business to Massey-Ferguson, the Canadian farm equipment and diesel engine group, for £20m in cash.

The deal, which ends months of speculation about the future of Rolls Diesels, is evidence of confidence in Massey's prospects after three years of drastic retrenchment and two financial restructuring programmes. A group of UK banks is lending Massey £13.5m to help finance the purchase.

The deal advances Vickers' strategy of selling businesses which do not have a worldwide presence, but at a price. The £20m proceeds represent a 35 per cent discount on Rolls Diesels' £31m net assets.

Mr Victor Rice, Massey chairman, said the purchase reflected the group's policy of concentrating on core businesses. The Rolls diesel range, which runs from 200-horsepower to 1,200hp, would complement the engines of the Massey-Ferguson subsidiary, Perkins, which go from 30hp to 300hp. It would enhance Perkins' world leadership in the markets for multi-purpose diesels.

Mr John Devaney, managing director of Perkins, based in Peterborough, Cambridgeshire, said the acquisition "expands us upwards with proven products, unlike our competitors who are coming down the range with new products".

Cummins Engine of the U.S., traditionally a maker of large engines, has developed a line of smaller ones in the past three years.

About three quarters of Rolls engines are sold in the U.K., a quarter of them to the Ministry of Defence, mainly for tanks. Perkins believes its strong international distribution network will help Rolls to increase its sales in overseas industrial markets.

It also plans to become more active in the highly competitive commercial vehicle markets.

Rolls Diesels made a trading profit of £1.7m last year on sales of £62m. It has been producing about 5,000 engines a year, well short of its 11,000 capacity. Mr Devaney said manufacturing would continue at Shrewsbury, where 1,000 are employed. No major redundancies were foreseen.

Perkins makes about 190,000 engines and kits a year, about 70 per cent of capacity. Its turnover is about £300m. Together, Perkins and Rolls Diesels employ more than 7,000 in Britain.

ENERGY REVIEW

Britain's analytical approach to renewables

BY DAVID FISHLOCK, SCIENCE EDITOR

TWO MEN have just been brought in to advise Mr Peter Walker, Secretary for Energy, on the controversial subject of renewable energy research and development in Britain. Last month Professor Sir Sam Edwards, a doughty campaigner in the world of Whitehall science policy-making, was persuaded to become chief scientific adviser on a part-time basis — a novel arrangement for Whitehall. As the Ministry of Defence is well aware, the stock-in-trade of this Cambridge physicist is blunt commonsense, even when it is politically unpopular, and the rare ability to view a problem in completely new light.

More recently Dr Derek Pooley, a chemist from Harwell, has joined him as chief scientific adviser, seconded from the UK Atomic Energy Authority for three years. His job is to co-ordinate the department's research on new energy systems and energy conservation, a programme expected to cost about £22m this year, of which about £12m goes into renewable energy (see Table).

As Sir Sam sees it, his job is primarily to be chairman of the Energy Research and Development Committee, which brings together the top scientists of all the energy industries and agencies, and one held in high esteem in the UK scientific world. Acord tries to define the broad strategy of non-nuclear energy research and development. Sir Sam has the rank of deputy secretary and thus the same access to ministers as his predecessor, Dr Anthony Challis, the former ICI executive who retired recently as chief scientific adviser. He has undertaken to spend 50 days a year working for the Energy Department and to be "on call" for the rest of the time.

Dr Pooley will be full time in London, at under-secretary rank, the same as he held as director of non-nuclear energy research at Harwell for the last 24 years. In this role he has been managing energy-related programmes which spend over £40m a year, funded partly by the Energy Department, partly by other Whitehall departments, and partly by industry. These contract research programmes range widely, from offshore studies to heat-exchanger design. The bulk of the money, some £35m this



Professor Sir Sam Edwards (left) and Dr Derek Pooley.

year, is managed by two agencies set up at Harwell in the mid-1970s, the Energy Technology Support Unit (Etsu) and the Marine Technology Support Unit. They were the brainchildren of Sir Walter Marshall, then chief scientific adviser, in his first efforts to expand the scientific input to UK energy policy-making after the Opec oil price increases.

The Marshall logic was that while the U.S. was prepared to throw billions of dollars into Project Independence, in an effort to find ways of reducing U.S. oil imports, Britain had to be highly selective. It should spend enough to explore alternative energy projects which appeared to hold most promise for Britain; enough to see whether any of them warranted large-scale prototype investments of the kind that accounted for most of the U.S. support. But where Britain copied U.S. practice was in using a powerful national laboratory as project managers for new energy projects.

When the British programme began, wavepower was deemed the most promising alternative route to electricity. The ideas of no fewer than eight teams have been supported by the Energy Department.

But what Dr Challis once called "lovely model work" resolutely refused to scale up to credible engineering structures. Those who ventured into rough water soon found their models crushed by the waves they were trying to harness. Experience from the North Sea platforms suggested that anything capable of harnessing waves reliably for electricity

production must price themselves out of court.

In the spring of 1982, evidence placed before Acord by Etsu brought an unequivocal recommendation that no more should be spent on wavepower. Nevertheless, the Government persevered for another year.

The additional year has confirmed Acord's conclusions. If anything, the results suggest that the cost of harnessing waves by any of the eight mechanisms under investigation will be even higher than was forecast early in 1982.

With wavepower all-but abandoned, wind power has replaced it as the most promising alternative for electricity production. Whereas the U.S. has shown no interest in wavepower, it spent prodigiously to develop large windmills of 3-4 megawatts peak output. The Energy Department's spending also rose steadily, to become the highest single item this year, at £4.8m.

Wind power is likely to be the first big test for the Energy Secretary's new science advisers. As with wavepower, the more they learned about the technology from their research programme, the more complex it grew, in efforts to overcome the big handicaps of nature, such as the variability of the wind, from gale-force to nothing.

The test centres on whether the Energy Department should fund a big demonstration windmill in the Orkneys, now expected to cost nearly £9m. The best estimate only 18 months ago, before detailed design was begun by the Wind Energy Group (Taylor Woodrow and

British Aerospace) was about £6m.

Sir Sam—with long experience of the escalating cost of defence projects—takes a highly sceptical view of projects that leap in estimated cost so quickly. He will want a lot of assurance that no big technical uncertainties still remain, to be uncovered once the project has started.

The big windmill comes before Acord early next year. "My view is quite unequivocal. I think they must fund it," Dr Pooley says. It is the heart of Britain's wind power programme, which has already progressed much further than wavepower for a smaller investment. A 250-Kw prototype windmill—"probably the most highly instrumented windmill in the world"—has been operating at the site planned for its big one since July. In Dr Pooley's view, "it's doing rather well." It incorporates many of the features of the big one.

Etsu project managers share Dr Pooley's view. One reason for the cost increase is that experience with big windmills in the U.S. and elsewhere suggests that a more complex "soft" transmission is needed to absorb the shock loading imposed by variations in wind speed. In the light of some of the serious fatigue failures met elsewhere, they believe their design is now ultra-conservative and standards will be relaxed as experience is gained.

Dr Pooley has no doubt that Britain's analytical approach to renewable energy sources such as wave and wind power has been both effective and highly economical, compared with the activities of the U.S. and West Germany. For example, it has separated the prospects into three clear categories: those that are economically attractive right now; those where the

energy costs are still uncertain (which include wind power); and the long shots, those he believes are "pretty unlikely" to prove useful (which include wavepower).

Into the first category Etsu put combustion of industrial wastes to reclaim energy, and passive solar building design.

"Our view is that they are going to penetrate the energy market in Britain quite significantly," it describes combustion of industrial wastes as the second most important element in the current energy conservation "crusade" of the Energy Secretary, after heat recovery in industry. It has reached the stage where, with government help for demonstrations, the entrepreneur might well be persuaded to pick up this technology and sell it to manufacturing industry.

Passive solar means little more than pointing a dwelling so that it reaps greatest benefit from the sun. Etsu claims evidence that for an outlay of only a few hundred pounds at the design stage a householder can cut his heating bill by about 25 per cent. It also claims evidence that a south-facing aspect need not mean a highly regimented housing estate. But it acknowledges an "enormous problem of communication" in co-ordinating the collective will of house-buyers, house-builders, planners and building societies, etc.

In the second category, along with wind power, Dr Pooley puts geothermal heat and bio-fuels. Britain is running one of the world's two major experiments in exploiting "hot rocks" deep enough in the earth's crust to yield water hot enough for electricity generation. So far the experiment, in Cornwall, has cost about £10m and another £8m has just been allocated. But within two years the science

advisers will be asked for a still bigger sum, perhaps £25m, for a pilot demonstration at full depth.

The idea is to open up a regular pattern of narrow cracks in the rock, to let water flow freely, pick up heat, and return to the surface with little loss. They have been trying to work out the engineering at the relatively shallow depth of about 2,000 metres, where it is cool and they can lower a TV camera, for instance. But the aim is to go to 6,000 metres and heat water to 200 degrees C or more, perhaps by 1988-89.

Ultimately, the Etsu managers hope to have a technology which might be used beneath Britain's cities, to deliver water hot enough (perhaps 250 degrees C) for combined heat and power (CHP) schemes. In development, the technology is proving complex, "not a cottage industry by any means", so complex and risky, in fact, that the demonstration stage may have to be undertaken as an international collaboration.

Lower technology—but nevertheless a fascinating prospect for renewable energy—is the recovery of methane from garbage tips. With the help of Harwell scientists "up to their knees in mud," London Brick is pumping a tonne of "landfill gas" a day from one corner of the claypits near Bedford used for London's rubbish. With half the calorific value of natural gas, it has plenty of energy for firing bricks. Thames Board has begun a similar project on a waste tip in Kent.

Tidal power from the Severn, in Dr Pooley's view, falls somewhere between categories one and two. The uncertainty of what is called the Bondi barrage lie not in the science or engineering but in Britain's ability to manage a gigantic project 10 times and cost. To reduce the uncertainties, a smaller and cheaper barrage has been proposed, higher up the estuary. This looks just as cost-effective as Bondi. But it has the obvious disadvantage of preventing development of anything bigger; and the less obvious one that its foundations may be insecure.

By comparison with all these renewable energy prospects, the third category of long shots looks unappealing. Wavepower and active solar heating of homes through solar collectors have been thoroughly tested by Etsu and found wanting under British climatic conditions.

UPS AND DOWNS IN RENEWABLE ENERGIES

	Figures in £m					
	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Wind	0.3	0.6	0.8	0.9	2.5	4.8
Wave	1.8	3.0	3.3	4.4	3.1	1.0
Aquifers	0.1	1.3	1.4	2.6	1.5	—
Hot dry rocks	0.1	0.0	0.9	5.6	3.0	4.2
Solar	0.2	1.2	0.9	1.1	1.4	1.2
Biofuels	—	0.1	0.3	—	0.6	0.7
Tide	0.1	0.6	1.4	0.3	—	—
Hydroelectric	0.0	—	0.1	0.1	0.1	—
Total	2.6	6.8	9.1	15.0	12.2	11.9

Source: Department of Energy

BANK OF ENGLAND BULLETIN Industrial economies emerge from three years of gloom

BY ROBIN PAULEY

THE ECONOMY of the industrial world emerged from three years of gloom, recession and stagnation during 1983 and returned to modest growth, according to the Bank of England Quarterly Bulletin published today. It gives a particularly favourable view of the state of the British economy.

"The UK economy, having suffered a steeper recession than most, is now among the leaders. From having been among the most inflationary industrial countries, it is now among the low inflation ones," the Bank says. However, like the Organisation for Economic Co-operation and Development, the Bank has no great optimism for any significant fall in unemployment on present policies.

Since late last year, economic growth has resumed in the industrial world where output, after a slow start, has picked up to an annual rate of about 4 per cent, with the pace being set by the U.S. The Bank warns that, while the large U.S. budget deficit may have had a helpful stimulatory effect on expansion, the prospective growth in the structural deficit is probably partly responsible for pushing real dollar interest rates to historically high levels. This threatens the continuation of the recovery.

"This has put upward pressure on real rates elsewhere. As a result, although there has been some decline in nominal rates, with falling inflation, the real rate remains high."

Capital inflows to the non-oil developing countries have shrunk, with borrowing from banks and borrowing through bond issues down to an estimated \$6bn in the first six months of this year, compared with a total of \$23bn in 1982 and \$44bn in 1981.

However, the flow of official finance to these countries has been broadly maintained with an estimated \$4bn in the first six months of the year, compared with \$3bn in 1981 and \$15bn in 1982.

Oil exporting countries are estimated to have moved back into a small surplus of \$1bn in the third quarter after a deficit of \$14bn in the first six months of the year.

The reductions in the current account deficits reflects to a large extent the financial constraints as lenders have reined back their support for debtor countries.

The Bank says that the largest reductions have been in medium-term credits, which were barely \$7bn in the third quarter and were running at an even lower rate in October and November. The total for the year is expected to be about \$35bn to \$40bn, compared with \$90bn in 1982.

These figures relate to what the Bank calls "spontaneous" market credits and exclude the new money which is lent as part of restructuring packages. There was no such lending in the third quarter of the year, but restructuring packages for Brazil and Mexico provide for \$10.5bn of new money.

growing at almost 3 per cent per annum and we now seem to have reached a point where unemployment is no longer rising, an important watershed," the Bank states.

Output per man hour has grown faster in Britain than anywhere else during the recession, although the rise in employment costs per man hour in UK manufacturing industry "remains somewhat above the international average."

The revival of the UK economy from the latter half of 1981 was induced initially by a change in stock building behaviour, and then by stronger consumer spending helped by a marked fall in inflation.

The consumer spending boom in Britain, however, has partly fed into a high level of imported consumer durable goods, reducing the UK current account surplus from \$1.2bn last year to an estimated £1.2bn in the first nine months of this year.

Total UK output is estimated to have risen by 1 per cent in the third quarter and was 4½ per cent above the trough in the first half of 1981. Excluding North Sea oil and gas, measured output has increased by 3 per cent since the first half of 1981.

Bank of England Quarterly Bulletin, December 1983, from The Bank of England, London EC2R 6AH. European subscribers and surface mail elsewhere £33, single copies £3.

Doubts on M3 money measure

By Max Wilkinson, Economics Correspondent

DOUBTS ARE raised about the precise usefulness of the present definition of broadly conceived money, sterling M3.

The definition of M3, as the main monetary target in 1979 when the present Medium Term Financial Strategy was being drawn up. Since then the focus has been widened to embrace two other definitions of money supply.

Sterling M3, consists of notes and coin in circulation plus British residents' sterling bank deposits with UK banks. It excludes British residents' deposits of other currencies. Their sterling deposits with overseas banks and the sterling deposits of foreigners with UK banks.

An article in the bulletin suggests that these quantities of money excluded from the definition of sterling M3 could all yield useful information about the operation of monetary policy. It says that no single definition of "broad money" can be considered to be "uniquely apt." Total overseas holdings of sterling in UK banks at present amount to about £21m, equivalent to about 21 per cent of sterling M3.

The main reason for excluding these overseas deposits from the definition of broad money is that they include substantial deposits of official currencies bodies. Increasingly they are made up of deposits by non-official clients who are using British bank accounts for investment purposes rather than to keep money for future transactions.

The Bank comments, "the same argument can, of course, be applied to sterling M3, a sizeable but unquantifiable proportion of UK residents' sterling bank deposits represents investments rather than transaction balances."

Under a regime of fixed exchange rates, M3, which includes UK residents' foreign currency deposits with UK banks, seems the most appropriate focus for attention, but with floating rates, it thinks the total sterling deposits with UK banks (sterling M3 plus foreigners' sterling deposits with UK banks) would be more attractive.

For consistency of international monetary measurements, it believes that some definition which includes either foreign deposits with UK banks, or UK residents' deposits with foreign banks would be appropriate.

German cement plan disturbs UK market

BY PETER BRUCE

BRITAIN'S major cement producers are threatened with a challenge to their near monopoly in the mainland market. White Mountain Quarries, a Belfast-based holding company, plans to begin importing West German cement to London early next year.

Mr Kevin Lagan, chairman of White Mountain, confirmed yesterday that his Lagan Cement subsidiary hoped to establish an import terminal on the Isle of Dogs, East London, by March. Formal planning permission will be sought in January. The group, with sales of £30m last year, plans to erect a cement bagging plant and an asphalt plant on the site.

At the same time, the group intends to enter the local ready-mixed concrete market through its subsidiary, Roadmix. Mr Jack Duffy, Roadmix's managing director, said storage silos were already being fabricated in Northern Ireland to handle some 30,000 tonnes of imported cement in the first year.

The move to London, which will require an initial investment of about £2m, will cause fears of a price war among the three major UK cement producers—Blue Circle, Rugby, and RTZ Cement. Lagan Cement's imports into Northern Ireland, which began just over a year ago, have already captured 25 per cent of that market from Blue Circle.

Blue Circle has been forced to make major price cuts in the past 12 months—by £120 a tonne last December, a further £3 a tonne in September and £5 a tonne a few weeks ago.

One City of London analyst last night predicted that the arrival of the Lagan Cement operation in London would have an enormous impact on margins in the local cement and ready mix concrete markets.

Blue Circle has by far the major share of the London market, but Rugby's relatively new plant at Rochester, Kent, also serves the capital. RTZ Cement has a minor share.

Earlier this year the three big producers were faced with a similar threat when Murphy's, the builders merchant, planned to import East German cement. Murphy's reverted to sole use of UK cement, but the industry's vulnerability to lower prices of even a small amount of imported cement had been demonstrated.

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Hard choices in France

THE FRENCH Government has run into grave trouble at the very outset of its efforts to ensure that the necessary restructuring of French industry is carried out in a humane fashion. It has dissuaded the Peugeot concern from closing the Tolbot plant at Poissy, only to see the workforce revolt against the number of redundancies still proposed there. The trade unions concerned initially appeared to acquiesce in the new plan, but have been pushed into a much more ambiguous attitude by the shopfloor revolt.

It has been accepted for some time in the French Government that restructuring and redundancies are inevitable throughout industry, and especially among motor manufacturers, coal mines, steel mills and shipyards. At least in principle both the Communist and Socialist trade union federations have accepted that need.

Ambiguous
 As events at Poissy have shown, it can be a long step from such acceptance in principle to agreeing to specific redundancies or closure. The Minister for Industry, M. Laurent Fabius, a Socialist, has spoken of ensuring "technological change with a human face" as he put it. But the Socialist CGT and the Communist CGT union federations have accused him of acting without due consultation with them and even of being prepared to close plant that that remains viable.

The Communist Party is in a particularly ambiguous position. It was one of its ministers, M. Jack Ralite, who ministered the deal with Peugeot that is threatening to come unstuck. Yet the Communist-led CGT has taken up the cudgels for the rebellious workforce and the party is proposing to make unemployment its main policy issue. That raises the prospect of a long series of disputes similar to that at Poissy as industry adapts to the needs of the age. The government forecasting agency, INSEE, gave some inkling of the scale of the French problem when it estimated that 500,000 industrial places of employment would have to go by 1985.

It is understandable that the Communist and Socialist unions should be alarmed by the prospect. They are coming under pressure from the shop floor. They also need to keep an eye on rival trade union federations

which may outbid them for support among the workers.

On the face of it, the French trade union movement must be weakened by these sectarian divisions among different political affiliations. So it may prove in the outcome. But these divisions, as already has become visible, will also tempt union leaderships to outbid each other for support.

Battle ahead

Their doing so could greatly add to the pain of industrial restructuring. Union leaderships could ultimately bring about more rather than fewer redundancies by undermining the viability of the employers—be they private concerns or state-owned. The Government must ask itself whether the plan to save Poissy provided the right balance between humanity and necessity, or whether it leans too heavily against inevitable change.

The battles will have to be fought not only between unions and management, but also between union leaderships and the rank and file, between unions and Government, and within the Socialist-Communist coalition headed by Mr. Pierre Mauroy, the Prime Minister. There is a measure of parallelism there with the conflicts between Left and Right in the British Labour Governments of the 1970s. Those battles ended with the discrediting first of the Left, then of the whole Labour party, and with the need for industrial restructuring as stark as ever.

One may safely forecast that tensions such as those at Poissy will be repeated elsewhere, though not in the same form. But those tensions should be controllable. For a start, the Socialist and Communist union leaderships are committed to their respective political parties and lack the power to shape party policy that the British unions used to possess under a Labour government.

Within the coalition the Communist Party cannot afford to pursue too independent a line unless it wishes to forgo the benefits it has derived from membership in the Cabinet. Under these circumstances the Socialists, who are the dominant party in the Cabinet and in the National Assembly, can afford not to be deterred from their intention to press ahead with the necessary adjustment of French industry.

Sledgehammer Bill for rates

SINCE it came to power the Thatcher Government has introduced successive bills which have resulted in more and more detailed central interference in local government affairs. But it always said, through successive Environment Ministers, that it would never take the ultimate step and turn local government into local administration of central decisions by limiting councils' freedom to determine their own levels of expenditure and taxation.

Now it is proposing to do just that. The bill unveiled yesterday will enable the Environment Secretary to impose his ideas of a suitable rate limit on selected councils as from 1985-1986. It also gives him reserve powers to impose his idea of a suitable rate on all councils he thinks it necessary. No amount of assurances about this being a measure of last resort can alter the constitutional implication of having such an unprecedented power on the statute book.

Election pledge

The Conservatives, who had been unable to find any way of carrying out their former election pledge to abolish the rates, had proposed to the Treasury, had proposed to the Cabinet on at least four occasions, without attracting a single vote in support.

Apart from the constitutional issue the Government is building a sledgehammer to crack just a few nuts. In spite of the rebates which shelter voters from the full burden of rates, it is only in a few places that spending is so out of proportion to the costs borne by voters that they quite rationally vote for more. This arises because the block grant system, which has always been designed to leave marginal expenditure to fall on the voters, is not working as intended.

There are no persuasive macro-economic reasons for the Government to want to control individual councils' spending.

Changes in local authority spending have no significant effect on either central government expenditure or its borrowing requirement. Councils can only contribute to the PSBR to finance capital schemes and this is already tightly controlled. Changes in council spending can have no significant effect on the rate of monetary growth. The Government should concern itself solely with the portion of council spending which it funds through the Rate Support Grant—the only part of local spending which legitimate expenditure survey controls.

Even if it were acceptable to try to force councils to meet the Government's arbitrary and inconsistent targets, against which grants are allocated or withheld, the proposed selective powers would seem bound to fail. Less than £100m out of a total £200m expenditure could be saved if the rate limits were to be set at the 20 or so unlucky "hit list" councils to fulfil their statutory obligations.

So ultimately the only explanation can be that the bill is an ill-considered response to the pressure which is supposed to exist against rate bills in general and Labour councils in particular.

Sidestep

Interference from the centre is hardly a suitable substitute for a solution to the real cause of the problem: the local tax base is too narrow for too great a burden (a large part of the extra burden being due to the grant cuts and penalties of recent years) and too many people are either exempted from the rates or so cushioned through rebates and subsidies that the real impact of expenditure decisions falls to hit home. That is why local democrats can produce irresponsible results.

The bill is a barely disguised attempt to sidestep the central problems. Parliament should dismiss it, forcing the Government finally to tackle the very pressing difficulties of local government finance and structure, strengthening accountability while preserving the freedom, variety and democracy which ought to be its lifeblood.

BETWEEN 8.55 and 9.00 pm one night earlier this month, former Vice-President Walter Mondale raised \$1.5m. Over 125,000 well-wishers flocked to neighbourhood gatherings in all 50 States of the Union to watch his first nationwide TV commercial and make their own small contributions to his campaign to be the next President of the U.S.

At about the same time, six of the eight declared candidates for next year's Democratic presidential nomination, including a reluctant Mr. Mondale, spent three days on a "fly around" trip to five major cities in an effort to demonstrate party unity and raise money for the 1984 election campaign. The result: hickering and backbiting and a net take of \$1.1m—way below target and considerably less than the Mondale TV spectacular raised in five minutes.

With just over two months to go to the formal opening of the Democratic selection process, two things are clear. The first is that, by any conventional measure, Mr. Mondale is way ahead of the pack. The second is that the Democrats, at least on present form, are in little shape to face up to President Ronald Reagan, if, as is virtually certain, he runs for a second term in the White House.

Mr. Mondale's fund-raising coup was not only intended to swell his already bulging campaign coffers. An equally important aim was to demonstrate the massive strength of the organisational machinery with which he hopes to secure the nomination well before next July's National Democratic Convention in San Francisco.

Since the Democratic race opened in earnest in September, Mr. Mondale has had things much his own way. His closest rival, the former astronaut, Senator John Glenn of Ohio, has so far failed to gather momentum he had hoped for, while Mr. Mondale's control of traditional party and political levels has given him an almost unbroken string of powerful endorsements.

Mr. Mondale has now won the official backing of nearly every organised labour group in the country, including the AFL-CIO, the largest trade union federation, and the National Education Association (NEA), the biggest teachers' union. Earlier this month he won the backing of the National Organisation of Women (NOW), the pioneer of the American women's movement, and, significantly, the black wing of the Alabama Democratic Party.

Mr. Mondale hopes to have raised \$5.5m by the end of 1983, which would earn him an extra \$4m or more in the Federal "matching funds" available under U.S. electoral law. Mr. Glenn is hoping for between \$6m and \$7m by the end of the year, qualifying for \$2m to \$3m worth of matching funds. Both men aim to spend the legal limit of \$23m to \$25m by the convention.

THE DEMOCRATIC PRESIDENTIAL NOMINATION

Mr Mondale out in front

By Reginald Dale, U.S. Editor, in Washington



The contenders: (top) Walter Mondale and John Glenn and (bottom, left to right) Gary Hart, Reubin Askew, George McGovern, Alan Cranston, Fritz Hollings and Jesse Jackson.

Mr. Glenn's campaign techniques tend to cost more than Mr. Mondale's with greater emphasis on expensive publicity and TV commercials. But despite Mr. Glenn's efforts, the latest Washington Post/ABC news poll shows Mr. Mondale forging ahead with 49 per cent of registered Democrats naming him as their first choice, against only 23 per cent for Mr. Glenn.

Mr. Glenn is a wooden, often dull speaker, who has so far largely failed to put clear policies across to wide sections of the country. "There's no meat on his bones," says one Georgia politician.

Everyone knows that Mr. Glenn was an astronaut (many people mistakenly believe that he went to the Moon). But his personality does not seem to live up to expectations, and even the glamorous more of the Right Stuff, glorifying his exploits as the first American to orbit the Earth, has so far proved less than a box office sensation.

In a bid to assert himself before it is too late, Mr. Glenn has now gone on to the attack. He accuses Mr. Mondale, of catering to special interests, promising everything to everyone, favouring big government, and even the glamorous more of the Right Stuff, glorifying his exploits as the first American to orbit the Earth, has so far proved less than a box office sensation.

The aim of the Glenn camp is to prove its thesis that Mr. Mondale is too liberal, and too much of a party hack, to be elected president, even if he wins the nomination. Mr. Glenn hammers home the message that—at least until recently—he has consistently ran better in polls matching him against Mr. Reagan than Mr. Mondale. His view is shared by not a few political analysts, who believe that while Mr. Mondale's courting of the party faithful may win him the nomination, it

may lose him the support of the general public in the actual election.

So far, however, the Glenn assaults have been fairly easily repelled by Mr. Mondale, who is nothing if not fast on his feet.

The publicity given to the sparring between the two men has irked most of the other candidates, who complain bitterly that the media is unjustifiably turning the contest into a two-horse race.

According to the same Washington Post/ABC Poll, the so-called "second tier" line-up is roughly as follows: Mr. Jesse

Jackson, the Chicago-based black activist, 10 per cent; former South Dakota Senator George McGovern, 8 per cent; Senator Alan Cranston of California, 5 per cent; Senator Gary Hart of Colorado, 4 per cent; former Florida Governor Reubin Askew, 1 per cent; Senator Fritz Hollings of South Carolina, zero. (Others/no preference, 2 per cent.)

Those towards the bottom of the list are short of money, and several have already trimmed their staffs; they have to remain official candidates until next year to qualify for the matching funds that many of them need to pay their debts.

The elderly but Mr. Cranston, who is focusing on the single issue of nuclear disarmament, has raised a respectable amount of funds: the "tele-

no hope of winning the nomination, he is an obvious threat to Mr. Mondale in the South, where Mr. Mondale needs to beat Mr. Glenn in three key early primaries (Florida, Georgia, Alabama). Even in the Southern States, Mr. Mondale has been overhauling Mr. Glenn who, with his more conservative image, has once been expected to sweep the South.

However, Mr. Mondale has hitherto been relying heavily on black votes to do the trick, and these may now go in considerable numbers to Mr. Jackson.

Mr. Jackson's candidacy is not supported by many black leaders, who regard him as an opportunist and fear that he will take votes away from liberal whites, such as Mr. Mondale, who have a more realistic

chance of beating Mr. Reagan. But Mr. Jackson has succeeded in putting a sharp-edged challenge to the rules for delegate selection for the convention, on the grounds that they discriminate against blacks, minorities and outsiders.

The rules were indeed changed in 1981, largely at the behest of party stalwarts like Mr. Mondale and Senator Edward Kennedy, precisely to make it more difficult for late-running outsiders like Mr. Jimmy Carter and Mr. McGovern, before him, whose successes were seen by the establishment as having damaged the party.

What Mr. Jackson specifically objects to are "winner-take-all" provisions in some states and a threshold of 20 per cent in other states where delegates are chosen by proportional representation.

Another new rule favouring Mr. Mondale is one that allows other states to move the dates of their caucuses and primaries forwards, closer to Iowa and New Hampshire, leading to the so-called "front-loading" of the selection process. Almost half the delegates will be chosen in the first 38 days of the primary season which begins with the Iowa caucus on February 27, although the precise date is still in dispute. Front-loading is thought to give a marked advantage to front-runners.

The disadvantage, as the Mondale camp sees it, is that as front-runner, Mr. Mondale is expected to win every single poll and vote to avoid losing his grip on the nomination. One single "bloop" or the pundits say, could also be the end of him, but Mr. Mondale has not put a foot wrong so far.

Mr. Jackson's impact so far has been simply to show up the dullness of the other contestants. Mr. Jackson is a fiery orator, who, alone among the

candidates, has the gift of genuinely moving an audience. His talents stand out at a time when the Democrats are painfully short both of charismatic leadership and of convincing alternative policies to Mr. Reagan's.

For the first two years of Mr. Reagan's presidency, many Democrats moved rightwards in a bid to prevent him walking away with the centre.

Now, with the economy improving and Mr. Reagan riding a peak of popularity, the Democrats are not sure where to turn. Many lines of attack are fraught with pitfalls. If the Democrats attack his arms build-up and call for defence cuts, they are vulnerable to the still widely effective charge of being "soft on communism." If they call for more social spending, they are vulnerable to the charge of fiscal irresponsibility—both accusations that Mr. Glenn has already levelled against Mr. Mondale. Calls for tax increases, on the other hand, are risky in an election year.

Mr. Reagan remains vulnerable on what is known as the "fairness" issue—favouring the rich over the poor—and his perceived lack of enthusiasm for civil rights and the interests of minorities and organised labour. He could be seriously damaged by fresh trouble abroad, particularly in the Middle East and Central America; and also by the breakdown of superpower arms control negotiations and his generally frosty relations with Moscow.

Yet the Democrats have so far failed to capitalise very heavily on most of these issues, which, as a broad-ranging coalition, they do not necessarily agree among themselves. Mr. Tip O'Neill, the Speaker of the House of Representatives, has provided a rallying point in the Democratic House. But national leadership has been lacking, and a possible chance to restore it was lost when Mr. Kennedy dropped out of the Presidential race in September 1982.

Meanwhile, many of the Democrats, especially women and minorities, are increasingly openly warning the party that their continued backing cannot be taken for granted. The liberal, middle-class baby boom generation, now in its prime earning years, is deeply cynical about the Democratic leadership, and indeed the whole political process.

Once they have selected their candidate, the Democrats will certainly do their best to rally behind him. The White House says it believes that Mr. Reagan faces a tough race and argues that his current popularity is in one sense dangerous, in that his lead (reportedly a good 16 per cent over both Mr. Mondale and Mr. Glenn) according to the latest private White House soundings, can only come down.

It is still early days, but some Democrats' election year approaches, are already beginning to adjust their sights to 1988.

With the economy improving and Mr Reagan riding a peak of popularity, the Democrats are not sure where to turn

Men & Matters

Stock move

The nomination of John J. Phelan Jr as new chairman and chief executive of the New York Stock Exchange, or the "Big Board," as it is popularly known, neatly dovetails the old and new in market operations.

In his three and a half years as president and chief operating officer, Phelan has played a key role in the successful introduction to the NYSE of a mass of electronic wizardry without upsetting the network of specialist traders who maintain markets in leading stocks and have to match their wits against the technology.

A specialist trader himself (like his father before him) for 25 years, Phelan proved to be the right man to oversee the changes. The specialist system confounded some critics by surviving intact into the electronic age, and it has just come through the most explosive bull market of recent years without undue strain.

But the trading limits of the "Big Board," at present geared to handle turnover of 150m

shares daily, have been severely tested. Phelan can be expected to push on with plans to increase capacity to 250m shares a day by mid-1984.

Phelan's formal election as chairman is expected at the annual meeting of NYSE members next May. He will succeed the redoubtable William Milfred Batten, aged 74, who retires after eight years as chairman.

Unlike his successor, Batten was something of an outsider, having come to the fore as chairman of J. C. Penney, the U.S. retailing group—rather as if the head of Marks and Spencer had become chairman of the UK Stock Exchange.

There is some interest now in whether Phelan will look outside the NYSE if he decides to recruit assistant vice-presidents to help him in his future tasks.

Douglas sails

Another top British Shipbuilders manager leaves his berth next month.

Ken Douglas, who launched the successful SD14 cargo ship concept in the 1960s, and who later spent several years with the ill-fated Upper Clyde Shipbuilders, will step down as managing director of the Austro and Pickersgill yard in Sunderland.

Douglas, aged 63, was formerly managing director of UCLC, which fell to the liquidator in 1971. After the "work-in" at the Govan yard, the Government-backed Govan Shipbuilders emerged as the much slimmer survivor.

Douglas, a large pipe-smoking man—some colleagues say he looks as if he could build a ship with his own hands—was a director of Govan and left in 1973.

Looking at the Clyde industry now, with Govan running out of work and Scott Lithgow

on the Lower Clyde hit by British cancellation of a rig order, he comments, "It's pretty grim all round."

But his earlier days at Austin and Pickersgill, where he was managing director in the pre-nationalisation 1960s, bring back happier memories. It was there that he came up with the notion of the SD14 general cargo vessel as a successor to the ageing U.S. Liberty ships.

Over 200 SD14s have been built, some overseas.

Douglas, who is taking early retirement after his second spell at Austin and Pickersgill, feels strongly that European yards should be combined to meet Far Eastern competition. "They would have had a better chance of survival."

Succeeding him in what looks to be a turbulent time for the industry will be George Parker, aged 55, now the head of BS shiprepair activities.

Space makers

Britain is almost certain to put its first astronaut into space in about two years, following yesterday's government decision to use the U.S. space shuttle to launch the next generation of military satellites.

But who will get the free ride in the shuttle to accompany the two satellites into orbit?

Mrs Thatcher denied in the Commons that there were specific plans for a British astronaut. "But there are certain Hon. and Rt. Hon. gentlemen whom I should not mind sending there," she added.

Awkward critics like Tom Dailly (51) and Julian Critchley (53) could be such candidates. Both are within the age limit. The oldest person in space is Dr William Thornton, of the U.S., who went into orbit in August at the age of 54.

Even more likely from the point of view of their youth and

relative fitness are Dr David Owen, who is 45, and Neil Kinnock, a mere 41.

Life in space would not be much different from that in the Commons, if the thoughts of a Soviet cosmonaut, published earlier this year, are anything to go by.

"I hum tunes and float about... I will I really be back on earth some time. And among my own people? And will everything be fine?" So Valentin Lebedev, confided to his diary during his epic flight in space in 1982.

And many MPs would be familiar with another of his sentiments. "Against the background of mounting weariness," Lebedev wrote, "relations can slip badly... There are some sharp moments, but we can't lose our tempers. Otherwise a split could widen."

Sales angle?

The Japanese car company Subaru, which makes a four-wheel drive, go anywhere, saloon is using the slogans "don't sink and drive," and "how to keep your grip when all around are losing theirs."

Which has left Peter Danby Smith of North Yorkshire, bemused. He abandoned his new Subaru when it stuck in a flooded ford near Milton. By the time he could organise a rescue it had been washed downstream and lodged under a bridge. It was recovered complete with a 10-inch trout in the driving seat.

Ironically Danby Smith is a car salesman—specialising in Subarus.

Legal advice

Did you know there is an, apparently successful, law firm in Sligo, in the Irish Republic, called Argue and Phibbs?

Observer

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"It's for funding the Airhns A320"

John Plender gives a personal view of London Stock Exchange reform

The risks of being too radical

THERE IS something both exhilarating and dangerous in the radicalism that the present Conservative Government is bringing to its dealings with the City. Regulatory change is blowing away decades worth of debris from a hitherto sheltered preserve. Yet huge upheavals in the financial system have a nasty way of catching regulators on the wrong foot, pushing up interest rates and blowing down financial houses.

The sheer speed of the present change in the City bears thinking about. Like the earlier move in 1979 to sweep away the complex network of exchange controls, the Government's July decision to halt the Office of Fair Trading's court action against the Stock Exchange was sprung on the Commons with little warning.

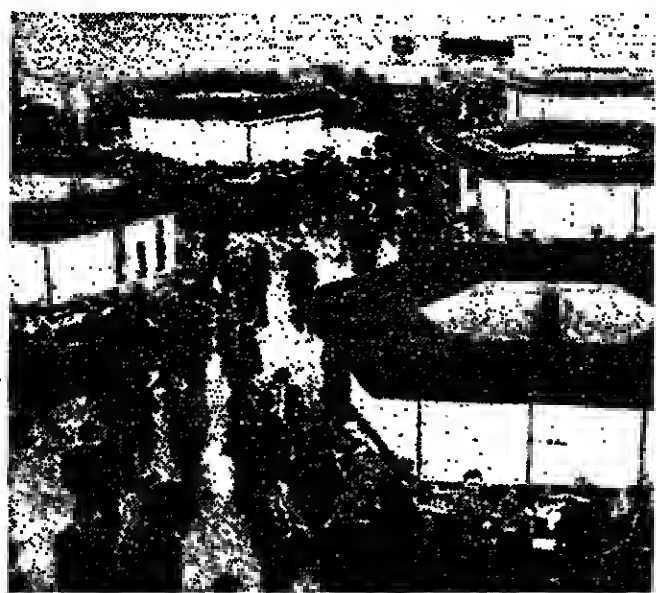
Proposals for a phased move towards the abolition of fixed commissions were accompanied by an assurance that investors would be protected through the preservation of "single capacity" — the arrangement whereby the function of the jobber, who deals for his own account on the Stock Exchange floor, and the broker, who acts as agent for the investor, are kept separate.

Less than five months later half the financial institutions in the City seem to have had takeover talks with the other half — and with a posse of foreign suitors too.

The authoritative City Capital Markets Committee argues that "the probability is that fully negotiated commissions will, in the end, make the jobbing system and hence single capacity incapable of maintaining itself." Most people expect fixed commissions to go out not with a whimper but a big bang.

Mr Alex Fletcher, minister at the Department of Trade and Industry with special responsibility for City affairs, has declared himself untroubled by "dual capacity," in which the role of agent and principal is combined. Fresh from a trip to the United States he told the Financial Times in a recent interview that "this is a time for pretty fast change." "There is a need, he added, for more financial conglomerates."

Meanwhile Bank of England officials appear uncharacteristically sympathetic to innovation. They describe their attitude to the blurring of boundaries between different types of financial institution in terms of the



The trading floor of the London Stock Exchange.

analogous institution in terms of asking "why not?" instead of "why?"

Yesterday's Bank of England bulletin gave an official blessing to the development of financial conglomerates.

When ministers and officials egg on City institutions in this way it is important not just to hold on to one's seat but to ask whether the pilots are using any navigational equipment.

The positive side of the equation is that the London Stock Exchange, behind its protective wall of fixed commissions and barriers, has become uncompetitive in an increasingly international market.

Single capacity has not provided the requisite liquidity for an increasingly institutional market: insurance companies and pension funds have grown (and grown more like-minded) while jobbers have not. This institutional dominance affords an easy wholesale living to brokers as long as commissions are fixed; marketing skills have been forgotten.

But is the proposed remedy any better than the disease? Dual capacity in securities dealing would represent a structural revolution for the Stock Exchange and a considerable regulatory challenge. There is more experience of financial conglomerates in Britain, but it is scarcely encouraging.

The defensive lessons of the May Day move in 1975 to negotiated commissions on the New

York Stock Exchange are broadly understood in London.

Less clear is whether the opportunities offered by dual capacity and financial conglomerates really do offer an escape route from overcapitalised parochialism. There is no guarantee that British equivalents of Goldman Sachs or Salomon Brothers will emerge into the brave new Stock Exchange world, promptly adjusting bid and offer prices on shares to compensate for the loss of commission income.

The function of jobbers is not only to make a market liquid but to set a price at which the whole market deals. For small companies a single principal may act as market-maker, which will probably continue. In widely held shares smooth price movements depend on a free flow of dealings between private dealers.

Arbitrage works in the U.S. primarily because there are numerous houses with which to deal on a big scale. Unless stamp duty is abolished in Britain, or the rules for exemption are otherwise changed, it is hard to see such a market emerging. In practice the last word in competitive aggression would be lacking even if it did, since Whitehall and Bank are at one in wanting to preserve a strong British presence in all parts of the market.

Those foreigners that do come in will probably not be

much interested in common or garden British equities. The more attractive bait lies in such things as the arbitrage opportunities in Europe that come from 24-hour international dealing. If American brokerage houses and banks buy at the top of the bull market, the money remains small beer for them.

Not so for the heavily protected domestic talent. One of the lessons of 1975 on the NYSE was that one could survive with weak accounting procedures and weak financial control in a market protected by fixed commissions, but not in a more competitive climate. Brokers proved less adept at managing than marketing. Many who expected to be May Day beneficiaries (Weeden, Wainwright Securities) have since gone to the wall.

The participants with the greatest interest in the domestic equity market mechanism are arguably the big investment institutions. Their stake in the system is such that it might be worth their while to take on more of the risks inherent in market-making. In practice, however, most are temperamentally disinclined to take options on an uncertain future. No insurance company, for example, has so far responded to the powerful signals that Whitehall is sending to the City on this score.

Instead it is the merchant bankers, brokers and financial services groups that have jumped. Most have more brain than financial brawn by international standards and undercapitalisation is endemic in those merchant banks where family interests remain dominant. Is there a risk that we could end up with the worst of both worlds — little gain in liquidity and much reduced investor protection?

The response to Professor Jim Gower's report, due in the New Year, will clearly be germane. But Mr Fletcher implied that if we move towards a world in which foreign houses play a greater part, in which dual capacity is accepted and where financial conglomerates are the norm, a reinforced Street asking why constitutes a vital part of the checks and balances that operate in the financial system. If the central bankers do not apply the brake, no one else will.

When officials in Threadneedle Street start asking why, instead of why the time may have come to build an ark.

Officials believe that the different activities can be insulated by "Chinese Walls" and separate physical or corporate arrangements, thereby neutralising conflicts of interest.

The trouble with these traditional forms of insulation is that they can prove elastic, as experience with the Lloyd's insurance market has shown. In bear markets they sometimes turn out to be in all the wrong places.

To quote just two examples. In 1974 the Solicitors' Law Stationery Society pension fund, an investment client of Slater Walker Securities, found that more than half of its beneficiaries' money was being held uninvested in the hands of the Slater Walker group when Slater Walker's own banking deposits were under pressure.

At the same time, Jessel Securities insurance subsidiary London Indemnity turned out to have a large stake in the parent's loan stock at a time when its own capital needs were threatening the solvency of the parent itself. In neither case did the law or self-regulation stand in the way of conflict or pyramid-type risks.

The year 1974 was also instructive about agents-turned-principal. In the late 1960s the semi-official Crown Agents concluded that they could not survive acting as agents for their clients and decided to start dealing on their own account. The subsequent improvement in the value of their dealing led to collapse and rescue by the government.

It is stuffy to hark back in this way to the exceptional circumstances of 1974? Maybe — but there is too much at stake in the stability of the financial system to leave the question unasked. It is as well to remember that the secondary banking fiasco of 1974 had its roots in the policy of Competition and Credit when government and Bank were similarly anxious to bring fresh air and competitive freedom into the financial system.

The innate caution of central bankers, however unappealing, constitutes a vital part of the checks and balances that operate in the financial system. If the central bankers do not apply the brake, no one else will.

When officials in Threadneedle Street start asking why, instead of why the time may have come to build an ark.

Britain's trade unions

Time to rethink: a role for the 1990s

By John Edmonds

FEW TRADE unions have come to terms with the full effects of persistent unemployment. Union treasurers understand that redundancies have cut union income, and union negotiators know that the power balance in many industries has shifted towards management — but the more subtle implications are emerging more slowly.

Negotiating habits are deeply ingrained. For 30 years trade union representatives have seen their role as channelling and directing the energy of union members. Branches demanded improvements and the negotiators put the arguments in presentable form. There was never much doubt that the union case owed more to the militancy of its members than to the eloquence of union officials.

Most union negotiators judged the importance of a membership demand by applying a simple test: "Do the members care enough about the issue to take industrial action?" The underlying assumption was that only those demands which members were prepared to back with industrial muscle were worth pushing hard in negotiations. The judgement was limiting but realistic. Managers usually applied a similar test.

Sometime around 1981 the mood began to change. The fear began to show. When companies with household names — Hoover, Tate and Lyle and ICI — began to close their factories, no employee could feel safe. Union members lost confidence. Well-based claims were withdrawn in the face of any strong suggestion that they might lead to cutbacks or closures.

Union officials have not coped well with the new mood. Too many have continued to rely on the narrow threat of industrial action. Occasionally the bluff has been called in spectacular fashion and a union has been forced to concede. More regrettably, union representatives have demoralised their members by presenting a false and unwelcome choice between strike and surrender.

Trade unions had better find more effective methods of representing a fearful and vulnerable membership. The need is urgent because other gloomy

developments lurk behind the ogre of unemployment. The nature of our industrial society has changed rapidly during the past five years. The shift from manufacturing to service industries has quickened. Establishments are smaller and seem likely to shrink further. The manual workforce is declining fast and the future seems to lie with white collar and intermediate occupations.

Against the background of continuing high unemployment, these changes threaten the basis of union power. For a generation, trade union strength has been based on large numbers of manual workers. These big plants have elected their own shop stewards' committees, developed their own policies

and fought their own battles. They rarely needed to call on the assistance of full-time union officials.

Between 1979 and 1983 the number of industrial plants with autonomous and self-confident shop stewards' committees declined sharply. By 1990 there will be far fewer. In their place will be more and more individual union representatives, feeling isolated and vulnerable, and easily slipping into apathy and disillusionment.

The requirements of members in this fragmented industrial society are easy to anticipate. They will want more full-time officials to provide day to day support. They will want ready access to expert advice.

All these improvements are expensive. Union members and potential recruits may well be reluctant to meet the higher cost unless unions can offer a wider range of services. The opportunities are considerable. With better communication systems, union expertise could easily be extended to give instant advice on, for example, Social Security matters. Pen-

sions departments could expand to provide a more comprehensive service on insurance and savings issues.

The most urgent task is to develop more effective techniques for applying pressure on individual managers. Some developments are obvious. The law will have to be used more extensively. Unions will have to give a higher priority to effective enforcement and use the monitoring agencies more skilfully. Unions will have to develop a more tightly focused campaigning style.

As industry changes the need for effective trade union representation will grow. The experience of the last few years demonstrates that managers are likely to make callous use of their new authority. Safety standards have fallen. Training is less freely available. Extra responsibilities have gone un-

warded. The task of the trade union official will be to convince members in this unhappy and fragmented industrial society that their many complaints can be put right. The official will have to be less of a negotiator and more of an organiser. He or she will have to demonstrate that particular local complaints may require a more general solution and that effective joint action has a real chance of success.

The job will be to widen horizons that have become limited by fear and insecurity. For a generation, trade union activity has been dominated by the big battles. Before the end of this century the scale will have changed. Many unions will have to make huge organisational adjustments if they are to succeed in the new and unhelpful environment.

There is one cause for modest optimism. Within the diversity of the Trades Union Congress, few problems are entirely new. A number of unions already have to cope with the strain of servicing a scattered and disparate membership. A few have coped successfully. So, after years of strength and some arrogance, the big blue collar unions may find that they have to look to the small semi-professional unions for the best solutions to the organisational riddles of the 1990s.

John Edmonds is National Industrial Officer for the General, Municipal, Fire and Allied Trades Union.

Letters to the Editor

Overcapacity in the electricity supply industry

From Mr J Jones

Sir,—Mr Baker (December 2) suggests that in my article on Sizewell (November 28) I misrepresented the board's case, and was selective in my choice of evidence. Both traits are unfortunately evident in his own letter.

I did not suggest that there is any contradiction between the Central Electricity Generating Board's case and Mr Howell's statement — merely that the emphasis was very different. I still maintain that the board has not adequately developed the fuel diversity, or insurance case for Sizewell which Mr Howell emphasised. The reason is clear. Even in the least favourable of the so-called "scenario cases" examined by the board, Sizewell earns more than the central case examined by the CEBG, even the least favourable outcome against which the economics of the project have been tested has assumed a 13 per cent per annum increase.

In his letter of November 30, Mr Noordyn (of Shell Coal) wrote that he did not expect any significant increase in world market coal prices for the next 10 or even 20 years. On the basis of evidence submitted to the inquiry, this is an entirely plausible, though not necessarily a "central" case. In such circumstances, it is perfectly possible that there would be no real increase at all in the UK price of power station coal between 1980 and the turn of the century. The true nature of the downside risks to the project has therefore not been properly exposed.

in the board's analysis. Had it been, the insurance argument for the project might have been more vigorously pursued by the CEBG, as it has been, for example, by the Electricity Consumers' Council who have submitted a proof of evidence to the inquiry on the subject.

Mr Baker writes that the CEBG "is still to make a major submission to the inquiry on project management." Like Sir Alistair Frame on day 134 of the inquiry, I find it "extraordinary" that nearly four years after Mr Howell's statement to the House of Commons, and only six months before the CEBG had originally expected construction work on Sizewell to start, the board's own National Nuclear Corporation have still not "got their act together." Under cross-examination Sir Alistair also said that he would have gone outside the board's own organisation for a project director, that he did not believe the customer should get deeply involved in project design, and that the world's best established "a clear cut client organisation whose job was to make sure that it employed the best engineers, the best companies in the world — British or elsewhere — to complete the programme on time." Are these views closely in line with the board's latest proposals, as Mr Baker appears to suggest?

Although the CEBG has prepared forecasts of the real bilateral sterling-dollar exchange rate, the real effective sterling exchange rate is in many ways a more useful measure both for assessing the implications of long-run changes in UK competitiveness, North Sea output etc and for converting long-term forecasts of world market coal and oil prices into UK import prices. In fact, as Mr Baker should know, the CEBG expects both the real effective and the real bilateral exchange rates to have declined by 40 per cent from their 1980 levels by the turn of the century. The latter rate

has indeed fallen by about 30 per cent since 1980, largely reflecting the increase in the real effective rate of the dollar. By contrast, the real effective rate of sterling has declined by little more than 10 per cent over the same period. Many observers, including presumably the CEBG, who also assume the real effective rate of the dollar to remain unchanged at about its 1980 level, now regard the dollar as being overvalued by as much as 20 per cent.

Mr Baker states that in the board's "middle of the road" case for Sizewell, the return is "over 9 per cent." A figure of 9 per cent is, in fact, the upper limit of a range (from 7 per cent to 9 per cent) given in the inquiry by Mr Baker himself at an earlier stage. This range, however, has since been superseded by one of 6.3 per cent to 8.2 per cent. The 7.5 per cent rate of return shown in my diagram was the mid-point of this latter range. I am happy to take Mr Baker's word that the latest figures do not include savings from plant decommissioning. I would be surprised, however, if this item altered the rate of return by more than a fraction of a percentage point.

Mr Baker's remarks on deferment are puzzling. The issue of deferment only arises if early construction of the project is expected to yield lower costs over its lifetime. If fuel prices remained stable until the mid-1990s, while construction costs were higher and plant performance worse than the CEBG's projections, would there be a case for building Sizewell early on grounds of cost reduction?

In summary, nothing in Mr Baker's letter causes me to revise my assessment that, as a cost-saving project built in advance of demand, Sizewell is "strictly marginal."

Jan Jones, National Institute for Economic and Social Research, 2, Dean Trench Street, Smith Square, SW1.

Completing a rig for China?

From Mr J J Francis

Sir,—The possible cancellation of the 20,000-ton rig ordered by the People's Republic of China at Scott Lithgow on the Lower Clyde, which would lead to the closure of two, or possibly three, of our remaining shipbuilding facilities and the loss of 4,500 jobs, has disquieted features that cannot be entirely related to builder and customer trading relationships. It has been suggested that the cancellation would suit the customer since it would enable it to make radical revisions to the specification to take advantage of advances in deep-sea drilling techniques. There are grounds for belief in this part of the world that the (rightful) desire to incorporate the latest developments on the part of the customer might well have led to delays in the approval of ongoing detail and design drawings during construction work to date.

Equally, some would see a spectacular clash between the builder and the client as a good time for British shipbuilders to rid itself of a facility that has been a source of embarrassment to a group of money in recent years. One big industrial explosion with substantial political overtones would certainly be a source of embarrassment to the group since a government that is obviously hostile to our traditional heavy industries would be saddled with most of the blame.

I feel, however, that in the event of a cancellation, the group should discuss the completion of the rig with another client who might be glad to obtain a quick delivery for a deep-sea drilling rig of this design. I have, Sir, a possible client in mind, namely the People's Republic of China, whose current developments in shipping, shipbuilding and offshore oil exploration will undoubtedly place it in the forefront of industrial nations by the end of this century.

Although its shipbuilding capacity is being increased fourfold by the newly-formed State Shipbuilding Corporation, and will reach in the order of 4m tonnes by the year 2000, she must look beyond her own resources for non-traditional tonnage such as drilling rigs. Can we assume that British Shipbuilders, with hopefully some Government support aimed specifically at this potential customer, is in close touch with the London Embassy of the People's Republic?

John B. Francis, 59, Aytoun Drive, Erythra, Renfrewshire



When you're giving glad tidings, spare a thought for the operator.

Although most of our operators will be spending Christmas with their families this year, some operators will be working over the period, providing a limited service. Naturally, all emergency calls will be handled, as will some calls which cannot normally be dialled direct.

INLAND

Operator Service Restrictions. Restrictions apply to inland operator calls in England, Northern Ireland and Wales on Christmas Day — (midnight Christmas Eve to midnight Christmas Day) and inland operator calls in Scotland on New Year's Day — (midnight New Year's Eve to midnight New Year's Day).

Extended Cheap Rate Periods. Inland Cheap Rate will apply from 6 pm on 23rd December until 8 am on 3rd January in England, Wales and Northern Ireland.

In Scotland, Cheap Rate will apply from 6 pm on 23rd December until 8 am on 4th January.

INTERNATIONAL

Operator Service Restrictions. Only pre-booked operator calls will be handled between 11 pm, Christmas Eve and 9 am, 26th December. There will be no directory enquiry service or special facility calls (international calls can be pre-booked at any time between 8 am, 12th December up to 6 pm, Christmas Eve, by calling the international operator).

Extended Cheap Rate Periods. Most calls can be dialled direct and the IDD Cheap Rate will be extended to cover the entire holiday season, starting at 6 pm on Friday 23rd

December and running right through till after New Year. In England, Wales and Northern Ireland it will end at 8 am on Tuesday 3rd January; in Scotland, at 8 am on Wednesday 4th January.

In addition, over these periods, a special reduced rate will apply to IDD calls to Australasia and the Far East (Charge Band 5B) made between midnight and 7 am, and between 3 pm and 8 pm.

This reduced rate will be the same as Charge Band 5A Cheap Rate. At other times calls to Charge Band 5B will be at Standard Rate.

TELEGRAM AND TELEMESSAGE RESTRICTIONS

Acceptance of Telegrams will be suspended from 7 pm on Christmas Eve until 9 am on 26th December.

Telegrams for delivery before Christmas Day should be requested by 12 noon on 20th December; and before New Year's Day by 12 noon on 28th December.

Acceptance of International Telegrams will be suspended from 7 pm, Christmas Eve until 9 am, 26th December.

Delivery of Telegrams and International Telegrams will be suspended on Christmas Day, 26th and 27th December.

We will provide an emergency service for International Telegrams during this period and attempt to deliver, wherever possible, exceptionally British urgent messages received from overseas.

BRITISH TELECOM

More noise from Heathrow

From the Chairman, Federation of Heathrow Anti-Noise Groups, the Chairman, No T5 Campaign and the Founder, No T5.

Sir,—We understand that the Secretary of State for Transport has on his desk a proposal to increase the number of aircraft transport movements at Heathrow from the agreed

maximum of 275,000 to 300,000 per annum.

This would entirely negate a fundamental premise on which the recent public inquiry into a fifth terminal at Heathrow was based.

The figure of 275,000 is already higher than the 260,000 recommended by the Inspector in his report on the fourth terminal as being the maximum environmentally acceptable.

We are actively looking to Government to maintain the

promises which it has made in the past not to expand Heathrow beyond this limit. It would be particularly unfortunate for the Minister to make a peremptory decision on aircraft transport movements before the outcome of the inquiry is decided.

(Mrs) Evelyn Atlee, Peter G. Warren, (Mrs) Pippa Nason, c/o 23 Polace Road, East Molesey, Surrey.

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SECTION II - INTERNATIONAL COMPANIES

FINANCIAL TIMES

Wednesday December 21 1983



FTC cancels approval talks on GM-Toyota link

BY PAUL TAYLOR IN NEW YORK

THE U.S. Federal Trade Commission (FTC) abruptly cancelled a meeting set for yesterday at which it had been expected to approve the proposed General Motors-Toyota link to build a Japanese-designed small car in California.

The postponement, which came late on Monday after a day of bargaining with the two companies, could further delay the joint venture originally announced in February.

GM confirmed yesterday, however, that it was continuing talks with the FTC. A lawyer for Toyota said he hoped an agreement might be reached by Thursday.

The negotiations appear to have become snagged on possible anti-trust objections from the FTC, which has recommended that the two companies be asked to sign a

consent agreement promising to avoid anti-trust violations.

Despite lengthy negotiations on Monday the talks remained deadlocked. As a result the FTC postponed the commission meeting and ordered its staff to continue to negotiate a legal agreement between the two companies.

While the two car companies are understood not to oppose the signing of such an agreement in principle, it is understood that they fear that the 60-day period for public comment which would come with such an agreement could provide GM's main competitors, the Ford Motor Company and Chrysler with an additional opportunity to delay the project. Both Ford and Chrysler have vigorously objected to the plan.

While GM stressed yesterday

that the latest difficulties did not threaten the plan, they have cast a further cloud over the deal.

Originally GM and Toyota had planned to start production late next year and they have already started building the California plant. Any further delay in winning FTC approval for the scheme could pose a threat to the project timetable.

It would also pose a problem for GM, which has been counting on supplies of 200,000 cars a year from the joint venture, in addition to 300,000 imports from other Japanese car makers to supplement its product line.

Yesterday GM said talks with the FTC were continuing but added that the company "simply does not know" when an agreement is likely to be reached.

Pillsbury profits jump by 54%

BY TERRY BYLAND IN NEW YORK

PILLSBURY, the U.S. foods group, has achieved a substantial upswing in profits in the second quarter of the year, reflecting record earnings in its food and restaurant divisions and considerable improvement in the agri-products business.

Net earnings jumped by 54 per cent to \$86.9m or \$1.29 a share in the quarter, on sales of \$1.1bn against \$985.7m. The first half shows earnings 54 per cent ahead at \$86.9m or \$2, with sales at \$2.1bn compared with \$1.8bn.

Mr William H. Spoor, chairman and chief executive, is "optimistic" that the performance of the first half will be confirmed in the second half, "resulting in significant profit gains for the year."

For full fiscal 1982, Pillsbury, whose Burger King fast food restaurant chain has been narrowing the gap between itself and McDonalds, the leader in the industry, earned \$131m or \$3.02 on turnover of \$3.7bn.

The bulk of Pillsbury's earnings come from its restaurants and consumer foods divisions. Burger King increased its customer count by 10 per cent last year, while on the foods side, the group acquired Haagen-Dazs, a leading ice cream manufacturer.

The board also disclosed yesterday that the second quarter had brought a return to profitable trading in the grain merchandising.

Becker pays fine over accounts fault

By Our New York Staff

AG BECKER PARIBAS, the Wall Street investment bank in which Compagnie Financière de Paribas has a majority stake, has agreed to pay a \$300,000 fine - one of the largest fines imposed by the New York Stock Exchange - to settle proceedings brought against it by the Securities and Exchange Commission.

The investment bank settled with the regulators by admitting or denying guilt over charges that Becker failed to meet net capital requirements during most of last year due to inappropriate accounting methods.

The SEC, announcing the settlement on Monday, said the firm was seriously in violation of the net capital rule during the nine months ending September 30, 1982. The SEC said Becker fell below the minimum capital requirement by amounts ranging as high as \$32.5m.

Mr John Heilmann, Becker's deputy chairman, emphasised that the firm had paid the fine "to avoid protracted and costly litigation over procedures since discontinued by the present management."

In October 1982 Banque Paribas injected \$97m in new capital into Warburg Paribas Becker AG Becker, as the firm was then known.

Earlier this year Paribas bought-out the 25 per cent stake held by its international partners, S. G. Warburg and Company, the London-based merchant bank, to become the sole international shareholder in Becker. The move, and a management reshuffle, came after the firm's former president and chief executive, Mr Ira Wender, resigned under pressure from foreign shareholders over mounting operating losses.

General Mills earnings fall back

By Our Financial Staff

GENERAL MILLS, the major U.S. packaged foods group, saw a dip in profits in its second quarter ended November 21. Net earnings fell to \$81.7m or \$1.71 a share from \$93.1m or \$1.84 in the corresponding previous period. Sales were also down, to \$1.52bn from \$1.55bn.

During the six months the company continued its redeployment programme, primarily the disposal of assets that do not fit its strategy.

General Mills has sold certain divisions under its redeployment programme and these gains will offset other write-offs.

As a result, 1984 will be a record year in terms of earnings per share before redeployment gains.

BUOYANT NEW ISSUES MARK START OF REVIVAL

New life for Danish bourse

BY HILARY BARNES IN COPENHAGEN

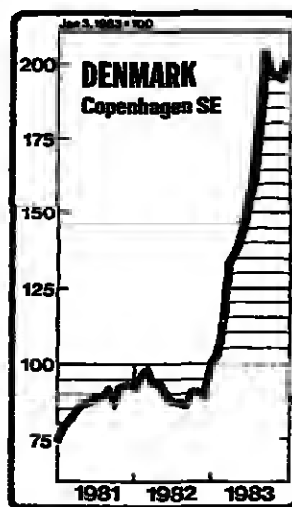
AFTER standing still for almost a decade, the Danish stock market has this year doubled in value. New issue activity has bounded ahead, so has trading volume, which for the first nine months was 24 times up on the comparable 1982 period.

The Danish bourse index has moved steadily upwards for most of the year, reaching a 1983 peak of 204.22 by the middle of September. Subsequently, it showed some hesitation as the worldwide bull market in equities paused for breath, but recent weeks have seen a distinct revival and the index is now back up above 200.

Against this background, new issue business has been buoyant. Three new companies have been introduced to the main bourse and six fresh listings have appeared on the so-called bourse III, which accommodates small companies. Moreover, several companies have used the rising market to break with a tradition of pricing rights issues at little more than par, by making issues at market price or by tender.

Demand for shares has been largely a domestic affair. Net sales of shares to foreign buyers appear to have been moving in line with the recent averages.

The Government claims consider-



sale of DKr 942m (\$94.2m) worth of American Depository Certificates by Novo Industry, the enzymes and pharmaceuticals manufacturer. Allowing for the Novo issue, net sales of shares to foreign buyers appear to have been moving in line with the recent averages.

The Government claims consider-

able credit for events in the share market, through its measures to stabilise the economy and from specific measures influencing demand for shares.

The broad economic measures include the suspension of wage and salary indexation, which helped to bring inflation down from about 10 per cent last year to 6 per cent this year, better control over public spending and the budget deficit, and a successful determination not to devalue the krone further.

Over the year effective interest rates in the bond market have come down from a peak of 22 per cent to about 13½ per cent and the official discount rate has fallen from 11 per cent to 7 per cent despite the rising money supply, which has made capital markets extremely liquid and helped to boost demand for securities.

Among the specific fiscal measures affecting share demand, the most important was a decision last winter to place a ceiling of 3½ per cent on the "real" (after inflation) return which pension funds and life assurance company reserve funds may make in any one year on their investments. Returns in excess of this have to be paid in tax.

The motive for this legislation was to channel back to the Treasury some of the money which the funds were making from the very high yields in the bond market - mainly on government bonds. Legislative changes are now being made to encourage further institutional investment in Danish equities.

The institutions are restricted to investing a maximum of 20 per cent of their portfolios in equities. This ceiling is to be raised to 25 per cent, and a rule limiting to 15 per cent the equity which a pension or life assurance company may hold in any one company is also to be abolished.

Investment companies which the big institutions are being urged to form, will be allowed to hold as much equity as they like in any single company as long as no single institution has more than 15 per cent of the shares in the investment company.

Over ensuing years, these legislative changes could have a profound influence on the ownership structure of Danish industry which the institutions (and the banks) have hitherto played a minor role.

Inchcape regroups in Asia

By Wong Sufong in Kuala Lumpur

AFTER THREE YEARS of protracted negotiations and a few false starts, the Inchcape group has finally succeeded in restructuring its Malaysian operations in accordance with government guidelines.

Shareholders of the Singapore-based Inchcape Berhad, which is controlled by Inchcape of the UK, have agreed to a plan to hive off most of its Malaysian business to a newly formed company, called Kumpulan Inchcape (KI).

Inchcape Berhad will hold 60 per cent of KI, while the remaining 40 per cent will be held by a Malay group, Mewah Holdings, led by Tunku Shahabuddin Bin Tunku Besar Burhanuddin, who will be the chairman of KI.

Mewah Holdings will make a cash payment of \$125m ringgits (\$13.6m) for its stake.

KI will divide its operations into two "divisions": property development under Inchcape Property Holdings; and trading, engineering and truck assembly under Inchcape Trading.

It is the intention of the partners for either KI or its divisions to get a public listing within two years, by which time Malaysian equity in KI would be increased to 80 per cent.

The Inchcape operations in Malaysia and Singapore used to be among the most diversified, but suffered from poor management during the mid-1970s. A sweeping management reorganisation was ordered, and the group has returned to prosperity.

CCF starts home banking service

BY DAVID MARSH IN PARIS

THE LATEST in a series of advanced electronics gadgets in French banking was unveiled yesterday with the launching of a computerised home financial service by Credit Commercial de France, one of the large commercial banks taken into state ownership last year.

The home banking service, which CCF claims is the first in the world to be started on a nationwide basis, will enable account holders to check bank statements, call up financial information and carry out transactions using a keyboard terminal and screen.

The service is being developed in close liaison with the Direction Générale des Télécommunications, the Government telecommunications authority. The DGT is simultaneously introducing a nationwide network of home terminals called Minutels, enabling subscribers to find out telephone numbers by electronic means rather than having to consult paper directories.

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Crédit National**£100,000,000 Guaranteed Floating Rate Notes 1995**

Unconditionally guaranteed as to payment of principal and interest by

The Republic of France

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three months interest period from 15th December, 1983 the Notes will carry a rate of interest of 9 1/4% per annum. The relevant Interest Payment Date will be 15th March, 1984. The Coupon amount per £5,000 will be £120.43.

Hambros Bank Limited
Agent Bank

HNG**HOUSTON NATURAL GAS****Quarterly Dividend**

The Board of Directors of Houston Natural Gas Corporation has declared the following quarterly dividends, all payable January 1, 1984 to holders of record December 19, 1983. \$1.16 1/4 per share on the 4.65% Redeemable Cumulative Preferred Stock, 1984 Series (\$100 Par), and 45 1/2¢ per share on the Common Stock (\$1 Par).

Clifford Campbell
Vice President and Secretary
December 9, 1983

Companies and Markets INTERNATIONAL COMPANIES and FINANCE**BCE deal takes market by surprise**

BY NICHOLAS HIRST IN TORONTO

BELL CANADA Enterprises, which was set up this spring to separate the federally-regulated telephone operating interests of the Bell Canada group from its other activities, has surprised the Canadian financial community with its first major diversification move.

Instead of the glamorous high-technology acquisition outside the federally-regulated field that had been widely expected, BCE has announced the purchase of 11.8 per cent of TransCanada Pipelines, the regulated gas utility, from Done Canada for C\$167m, and has followed this up with an offer to all shareholders, valuing TransCanada at C\$1.42bn (US\$1.14bn). It had, however, said that it did not wish to acquire all the shares.

The initial reaction of the financial markets is one of disappointment. U.S. investors, who have been aggressive buyers of BCE in recent months, have moved in with sell orders, driving the price of shares in the company down from C\$33 to C\$31.50. A rush of brokers' circulars have suggested an early BCE high technology acquisition in the U.S. (Nortel) which is 53 per cent owned by BCE, has been highly successful in the manufacture of digital telephone exchange equipment and is expected to contribute 65 cents to BCE earnings per share this year of C\$3.40, com-

pared with 40 cents out of C\$3.05 last year. The acquisition of another telephone equipment manufacturer would run into anti-trust problems—Nortel is now the second largest equipment supplier in North America—but a related high technology diversification seemed likely.

Alternatively, analysts are looking for an expansion of BCE's other activities. It recently renewed a highly profitable five-year contract, worth C\$1.6bn, for telephone systems in Saudi Arabia. An expansion of contracting, possibly in the U.S. private telephone exchange market, also looks possible. So does a U.S. diversification of BCE's printing, publishing and directory business.

Diversifications

Mr J. Stuart Spalding, vice-president for finance at BCE, does not rule out any of these diversifications: "TransCanada happens to be the first but it does not exclude other things other people have talked about," he says.

The move to TransCanada underlines the essentially conservative nature of BCE. Its desire for diversification stems in part from the changes likely to take place in the Canadian telephone and telecommunications market in coming years. The Federal Government has indicated that

it is in favour of increasing competition. What has been a highly regulated, monopolistic business.

Changes may not be as fast or as dramatic as with deregulation in the U.S. or the splitting up of American Telephone & Telegraph, but Bell Canada, BCE's largest subsidiary, which earned around three-quarters of group operating profits of C\$1.58bn last year, is already seeing its monopoly position whittled away at the edges.

The Canadian Radio-television and Telecommunications Commission (CRTC), the federal regulatory authority, has allowed a competitor to provide private business lines in competition with Bell, and has removed Bell's right to rent out all subscriber equipment, opening up the market to other suppliers.

Now Bell Canada faces the possibility of competition on long distance calls, the fastest growing and most profitable section of a largely mature market. Bell says it is happy to compete, but it is looking for a change in the public policy of subsidising local calls with long distance charges. Last year, telecommunications operating profits were C\$1.15bn, but with in that total there was a loss of almost the same amount on local services.

Next year, the CRTC is to hold hearings on the widest implications of long distance competition, but there can be no

certainty that the outcome will leave Bell unscathed. There are political pressures to allow long distance competition, to reduce business costs, and to keep down local charges.

New flexibility

For Bell there is the possibility that an explosion in data transmission services will be offset by the adverse effects of competition. But the group wanted new flexibility to diversify and the corporate reorganisation which, with federal approval, set up BCE as a non-regulated holding company for Bell Canada and the rest of the group, removed the possibility of profits of most of BCE's activities outside the telephone operating company being taken into account in fixing domestic rate structures.

In July, BCE raised C\$336m in an equity issue on the Toronto, New York and London markets, with the aim of giving the group increased international exposure. Diversifications were eagerly awaited. "We had anticipated that this question of diversification would be one of the earliest priorities that would have to be worked out," says Mr Spalding. BCE's priorities, however, have turned out differently from the market's.

With 284,000 shareholders, BCE is the widest-held stock in Canada. Traditionally, it has been a conservative invest-

ment, bought for its yield—currently about 7 per cent—and dividend growth. BCE thought its first priority was to its traditional shareholders.

Teams looking for high technology acquisitions in the U.S. had identified likely target companies in the C\$50m-C\$100m range. Such companies might not pay a significant return for 10 years. A larger acquisition, of a successful company, might involve paying a substantial premium over market value.

BCE, however, through its equity issue and a dividend re-investment plan bringing in more than C\$200m a year, had built up C\$336m in cash, for which it needed at home.

TransCanada filed the bill. Its earnings in the past decade have grown faster than BCE's, yet at the C\$1.50 offer price it was on a lower earnings multiple.

In fact when the offer closed yesterday BCE ended up with 43 per cent for a total cost of C\$365m, far more than its advisers had expected.

BCE wanted a total of 20 per cent of TCPL shares, the minimum level that would allow it to equity account. TransCanada's earnings bringing them directly into profit and increasing BCE's earnings per share.

To pay for the 43 per cent BCE may draw on a C\$1.1bn facility arranged with a consortium of banks led by the Toronto Dominion. But the deal will still be self-financing



Mr J. Stuart Spalding, BCE vice-president, schemes behind the market surprise over the first major acquisition since the restructuring of the Bell Canada group but, he says, TransCanada happens to be the first "done as expected" other things other people have talked about.

and should leave BCE in position to make the kind of acquisition the market has been looking for.

Having made one conservative move, Mr Spalding says BCE still has room for the kind of high technology or other diversified moves the market has been looking for.

BCE appears to have a two-pronged diversification strategy. It would like to find relatively small acquisitions related to its present business, but it also wants to service its traditional investors. Any large acquisition, therefore, will have to support BCE's ability to pay dividends.

All of these securities having been sold, this announcement appears as a matter of record only.

1,500,000 Shares



Common Stock

Lehman Brothers Kuhn Loeb
Incorporated

Merrill Lynch Capital Markets

Smith Barney, Harris Upham & Co.
Incorporated

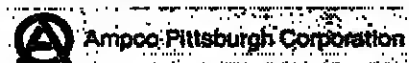
Bear, Stearns & Co. <i>Incorporated</i>	The First Boston Corporation	A. G. Becker Paribas <i>Incorporated</i>
Blyth Eastman Paine Webber <i>Incorporated</i>	Alex. Brown & Sons <i>Incorporated</i>	Dillon, Read & Co. Inc.
Donaldson, Lufkin & Jenrette <i>Securities Corporation</i>	Hambrecht & Quist <i>Incorporated</i>	E. F. Hutton & Company Inc.
Kidder, Peabody & Co. <i>Incorporated</i>	Lazard Frères & Co. <i>Securities</i>	Prudential-Bache <i>Securities</i>
L. F. Rothschild, Unterberg, Towbin <i>Incorporated</i>	Wertheim & Co., Inc.	Dean Witter Reynolds Inc.
Allen & Company <i>Incorporated</i>	A. G. Edwards & Sons, Inc.	Montgomery Securities
Oppenheimer & Co., Inc.		Robertson, Colman & Stephens
Rothschild Inc.		Thomson McKinnon Securities Inc.
Arnhold and S. Bleichroeder, Inc.		Cazenove Incorporated

Banque Populaire Suisse S.A. Luxembourg	Compagnie de Banque et d'Investissements, CBI
Grieson Grant and Co	Samuel Montagu & Co. <i>Limited</i>
Pictet International Ltd	M. M. Warburg-Brinckmann, Wirtz & Co. <i>Limited</i>

December, 1983

All of these securities having been sold, this announcement appears as a matter of record only.

1,200,000 Shares

ampco pittsburgh

Common Stock

Lehman Brothers Kuhn Loeb
Incorporated

Lazard Frères & Co.

December, 1983

Reppo and Ansett buy HambrosBy Michael Thompson-Noel
in Sydney

AUSTRALIA'S Reppo Corporation and Ansett Transport Industries are to acquire a 20 per cent stake each in the merchant bank, Hambros Australia, in line with an undertaking six years ago by Hambros Bank of London to introduce 50 per cent Australian equity into its Australian offshoot.

Hambros Bank will continue to hold a 50 per cent stake. The other 10 per cent will be held by the bank's Australian management.

Reppo and Ansett, the latter of which is co-owned by Mr Rupert Murdoch's News Corporation and by Thomas Nationwide Transport, will each subscribe for about A\$4m (U.S.\$3.5m) of new capital in Hambros Australia.

Both John Fairfax and Television Wollongong Transmissions (TWT) raised their bids for Brisbane Television (BT) by 30 cents, to A\$27.30 per share, yesterday, valuing BT at close to A\$30m. Fairfax has 40.3 per cent of BT's capital, and TWT 29.9 per cent. BT operates BTU, Queensland's most profitable TV station.



HERBERT S. GASSER

St Andrew Goldfields Ltd, Toronto, Canada, is pleased to announce the recent election of Herbert S. Gasser to the Board of Directors.

Mr Gasser is Vice President and Manager, International Trading and Treasury, Swiss Bank Corporation (Canada).

St Andrew Goldfields Ltd is a 88% owned subsidiary of Queen's Shire River Mines Limited, a member of The Comstock Mines Group.

NEW ISSUE

These securities having been sold, this announcement appears as a matter of record only.

DECEMBER 1983

U.S. \$10,000,000

Korea International Trust

a securities investment trust established under the laws of the Republic of Korea, managed by

Korea Investment Trust Co., Ltd.



Placing of 1,101,000 Units evidenced by Beneficial Certificates in denominations of 1,000 Units each at an issue price of U.S. \$9,081.325 per Beneficial Certificate

Baring Brothers & Co., Limited

Credit Suisse First Boston Limited

Samuel Montagu & Co. Limited

Vickers de Costa Limited

The First Boston Corporation

Yamaichi International (Europe) Limited

Korea Merchant Banking Corporation

KEB (Asia) Finance Limited

Korea Associated Securities Inc.

This advertisement is neither an offer to sell nor a solicitation of an offer to buy these securities, but appears as a matter of record only.

845,000 Shares
Cermetek
microelectronics
Common Stock

Dean Witter Reynolds Inc.

Drexel Burnham Lambert
Incorporated

Bear, Stearns & Co. <i>Incorporated</i>	A. G. Becker Paribas <i>Incorporated</i>	Blyth Eastman Paine Webber <i>Incorporated</i>
Alex. Brown & Sons <i>Incorporated</i>	Dillon, Read & Co. Inc.	Donaldson, Lufkin & Jenrette <i>Securities Corporation</i>
Hambrecht & Quist <i>Incorporated</i>	Kidder, Peabody & Co. <i>Incorporated</i>	Lazard Frères & Co. <i>Securities</i>
Merrill Lynch Capital Markets <i>Securities</i>	Prudential-Bache <i>Securities</i>	L. F. Rothschild, Unterberg, Towbin <i>Securities</i>
Salomon Brothers Inc.	Smith Barney, Harris Upham & Co. <i>Incorporated</i>	Wertheim & Co., Inc.

December 21, 1983

The publication date for the Financial Times survey on the Unlisted Securities Market has been changed from March 13 to March 12 1984.

For further enquiries

please contact

Hugh Sutton

Tel: 01 248 8000 extension 3300

Den Danske Bank

at 1871 Alkieselakab

U.S. \$30,000,000

Floating Rate Subordinated Notes due 1989

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the period 21st December, 1983 to 21st June, 1984 has been fixed at 10% per cent per annum and that the coupon amount payable on Coupon No. 4 will be U.S. \$15,661.46.

Agent Bank

البنك الدولي للمصرف

Saudi International Bank

AL-BANK AL-SAUDI AL-ALAMI LIMITED

We have exceeded
\$21,000,000,000
 in commercial paper outstandings
 on behalf of our issuing clients.

This performance reflects Merrill Lynch's rapid growth and prominence in the commercial paper market.

It demonstrates our clear ability to place a large volume of commercial paper efficiently. \$21 billion is even more significant in perspective: our market share has risen dramatically year by year.

In fact, during the past 12 months—while the total market has actually declined—our volume has grown substantially.

Today, we represent more non-U.S. commercial paper issuers than any other firm; and we are the largest dealer in money market instruments worldwide.

We have developed the broadest, most diverse investor base in the business.

During 1982, we sold commercial paper to over 6,000 institutional clients, including 1,200 savings institutions, 1,100 banks and bank trust departments, and hundreds of pension funds, insurance companies and corporations.

These sales, by hundreds of Account Executives, took place through 276 Merrill Lynch offices.

The depth of our distribution base ensures more than enough capacity to place even greater amounts of commercial paper for our growing number of clients.

We have proved our ability and willingness to take down large blocks of commercial paper at competitive rates, often for long maturities and in difficult markets.

The rapidly growing acceptance of co-management in commercial paper programs has resulted in our being selected as co-dealer by 82 issuers.

Our incremental distribution power and our emphasis on performance make us the logical choice as co-manager.

We are committed to service, and offer the most complete range of products and services in the dealer community.

- *Traders in London* to conduct commercial paper transactions with issuers in European time zones.

- *Maturity extensions to three, six and nine months*, as well as into the medium-term range through specialized medium-term programs.

- Objective rate-monitoring techniques to ensure consistently competitive rate levels.

- Detailed sales and distribution reports for all clients.

- Multi-currency commercial paper for issuers wishing to realize the savings of commercial paper in a variety of currencies by means of a single, fully integrated transaction.

- Interest rate swaps, privately placed commercial paper for special-purpose financing, tax-exempt commercial paper, bank- and surety-backed programs, funding for medium-sized corporations, reinvestment programs, receivables and project-oriented financing.

This performance has resulted in growing recognition of our capabilities by both issuers and investors.

In 1982, we added 62 commercial paper clients, while not one client left Merrill Lynch. That is a performance that nobody in the industry has ever matched.

And in an independent survey of over 500 institutional investors, Merrill Lynch was ranked number one among all dealers in market penetration with respect to money market instruments.

We see our job as adding value for every client, old and new. That is how we reached our first 21 billion dollars. We intend to do the next 21 billion the same way.

Merrill Lynch Capital Markets
Investment banking

COMPANY NEWS BIDS AND DEALS

MINING NEWS

Trust Securities forecasts £7m loss and omits dividend

THE DIRECTORS of property development company Trust Securities Holdings are omitting the interim dividend for the six months ended May 31 1983, and there will be no final payment. This is compared with a total of £2.25m compared with profits of £442,000.

Turnover for the first half fell from £3.1m to £2.42m while the company suffered losses of 2.25m compared with profits of £442,000.

The directors state that, based on management accounts for the second half, they estimate losses for the full year will be £7.1m which includes provisions for future development losses of £2m and extraordinary debits of £318,000.

They explain that the estimate is drawn up on a going concern basis on the assumption that the

share offers from Stockley Developments become unconditional. The accounting policies underlying this loss are consistent with those previously adopted by the Trust and in particular the Stockley Park Development continues to be stated at cost.

The formal offer documents were posted yesterday; irrevocable undertakings to accept the share offers have been given by holders of 70.2 per cent of Trust Securities.

There was no tax for the six months (£20,000), goodwill written off was £28,000 (£292,000) and there was an extraordinary debit of £318,000 (nil), consisting of the expenses of the bid for Percy Biton.

Loss per 10p share was 7.15p (1.35p earnings).

Sheafbank restructures to establish stronger base

THE ACQUISITION of a private investment property company, a capital reduction to eliminate the current deficit on reserves, and a rights issue to raise £200,000, are planned by Sheafbank Property Trust.

On the news, the shares rose 6p to 28p yesterday.

Gradeland Securities is the company being acquired. The exchange for 4,542,894 new ordinary shares of 10p based on net tangible assets. Its principal assets are two investment properties in the north of England. The directors are Mr. Jack, Mr. Maurice and Mr. David Gradel, who will hold 49.2 per cent of the enlarged Sheafbank capital (after the rights) and be invited to join the board as chairman, managing, and finance director respectively.

It is considered that the acquisition will provide Sheafbank with a better financial base, an increased geographical spread, and stronger management. The City Panel has waived any obligation to make a general offer to Sheafbank shareholders.

As regards the capital reduction, the directors explain that the accumulated deficit on reserves at March 31 1983 was £445,748, ordinary share trading profits were maintained and all trading divisions in the UK showed improved results.

Turnover for the opening period was lower at £163m (£192.31m) but so was interest paid at £741,000 (£1.23m). Pre-tax profits included a £72,000 (£45,000) share of associated and joint ventures, also benefited from a £40,000 surplus on the sale of fixed assets.

Tax took £80,000 against £85,000 and there was an extraordinary debit of £300,000, including provision for rationalisation and reorganisation. There is again no interim dividend.

(£519,000), for basic earnings of 6.15p (6.07p) and fully diluted of 4.35p (4.00p).

The interim dividend is held at 0.5p. The total for the previous year was 2.4p when profit reached £1,450.

During the half year profit dip, Mr. Lawrence Batley, chairman, is confident of a satisfactory year with the new Newcastle warehouse making a "significant contribution." The interim results had to absorb the very heavy opening costs of this unit.

FMC first half recovery

FMC, the slaughterer and wholesaler, butcher recently acquired by Hulton Holdings, turned round from a pre-tax loss of £416,000 to a profit of £104,000, in the 24 weeks ended October 15 1983.

The directors report that despite losses of some £400,000 incurred by two Irish meat plants to the date of their disposal, and difficult trading conditions last summer, group trading profits were maintained and all trading divisions in the UK showed improved results.

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Batleys slips halftime

Higher depreciation and interest charges hit the profit of Batleys in the first half of the year ended October 29 1983. Depreciation took £176,000 (£151,000) and interest £71,000 (£15,000), to leave a pre-tax profit of £506,000, compared with £659,000.

Turnover of the group, which operates as a cash and carry wholesale, rose from £65.7m to £77.3m. After tax of £77,000 (£140,000) the net profit came out at £529,000.

MEMORY COMPUTER

GROUP RESULTS

For the six months ended 30th September, 1983

37% increase in turnover
50% increase in profit before taxation
31% increase in earnings per share

Mr. F. A. Casey, Chairman, comments:

"The results for the half year show growth in turnover in all our markets and a profit increase in line with our expectations. The interim dividend will be paid on 31st January, 1984 to shareholders at record date 28th December, 1983."

GROUP RESULTS

(Unaudited) 1st 6 months

	1982	1983
6 months to 30th September		
TURNOVER	4,835	3,541
PROFIT BEFORE TAXATION	510	340
TAXATION	186	71
PROFIT AFTER TAXATION	404	269
INTERIM DIVIDEND	62	—
	342	269
EARNINGS PER SHARE	8.1p	8.2p

Copies of 1982/83 annual report are available from the Secretary,

MEMORY COMPUTER LIMITED
Clonard House, Sandyford Road, Dublin 14

Australian companies buy into Hambros subsidiary

BY DAVID DODWELL

TWO AUSTRALIAN corporations are in the process of acquiring a 40 per cent stake in Hambros Australia, a subsidiary of Hambros, the UK merchant bank, by injecting new capital worth £5.1m.

Repro Corporation, the diverse group which is Australia's largest manufacturer of automotive components, and Ansett Transport Industries, whose principal operating subsidiary is one of Australia's two major domestic airlines, are subscribing AS24m for 20 per cent stakes in Hambros Australia.

This will reduce the London merchant bank's stake in the Australian bank which is active in local money markets, and in corporate finance, leasing and property, to 50 per cent. The outstanding 10 per cent holding in the bank, which will have an enlarged capital of AS24m, is held by Australian Management.

The decision is in compliance with an undertaking made with Australia's Foreign Investment Review Board (FIRB) that after

five years of profitable trading Hambros would reduce its stake in its Australian subsidiary to 50 per cent, selling the other 50 per cent to Australian shareholders. The subsidiary began operating in 1975, and has offices in Sydney and Melbourne.

The deal is subject to the approval of the FIRB, and is expected to become effective on December 31.

In return for their 20 per cent stakes, Repco and Ansett will each appoint two directors to the board of Hambros Australia. Repco is understood to have appointed Mr. Neil Walford and Mr. Ian Cameron to represent its interests, with Mr. David Morimer and Mr. Mervyn Rich representing Ansett.

Hambros in London has agreed to increase its existing standby facility in Australia from AS25m to AS35m.

The same is the case for Ansett, which has agreed to increase its standby facility for passenger and freight services, hotel and tourist resort operations to its airline activities.

Pegi denies debts to Dunlop

BY DAVID DODWELL

Pegi Malaysia Berhad, the corporation which has been in the news since its takeover of Dunlop Malaysia, has insisted yesterday that it has no debts outstanding to Dunlop Holdings, the UK company in which it has a 25.5 per cent stake.

Suggestions of outstanding debts have arisen, because of confusion in some newspapers over the details of two recent controversial transactions involving Dunlop.

The first involves the Pegi decision, confirmed last week, not to buy from Dunlop half of its 40 per cent interest in Dunlop Malaysia. The second transaction, which was expected to raise £58m for the cash-strapped Dunlop. The deal was scrapped following refusal by Malaysia's Foreign Investment Committee to approve Pegi's application for the deal.

There had been some sugges-

tions that Pegi had hacked away from the deal because of financing difficulties of its own in Malaysia. But a spokesman for Samuel Montagu, which represents Pegi in the UK, said yesterday that Pegi had no debts outstanding to Dunlop Holdings.

He did not comment on suggestions that the company had been in a state of confusion in some newspapers over the details of two recent controversial transactions involving Dunlop.

The first involves the Pegi decision, confirmed last week, not to buy from Dunlop half of its 40 per cent interest in Dunlop Malaysia. The second transaction, which was expected to raise £58m for the cash-strapped Dunlop. The deal was scrapped following refusal by Malaysia's Foreign Investment Committee to approve Pegi's application for the deal.

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Riley Leisure £1.14m expansion in Wales

Riley Leisure, the largest UK snooker club operator and table maker, has bought Mawthorpe Billiards (Wales) for £1.14m in a deal which will add eight more clubs to its total of 70.

Riley has also acquired Billiards & Snooker (Wales), a snooker table manufacturer and supplier, as part of this deal. It will integrate the Welsh-based companies into its existing operations.

The new clubs, all in South Wales, will form the basis of a new Welsh division for Riley which previously had only three clubs in Wales and one in the English side of the Welsh border.

Mawthorpe also has three or four sites which may be developed as snooker clubs.

Riley will pay £1.14m in cash and issue £60,790 shares to the vendors, Mr. C. G. Richards, Mr. D. Davies and Mr. D. J. Davies. Mr. Richards will continue as

consultant to the two companies for between three and six months.

The new clubs have a total of 74 snooker tables and will add a profit of nearly £31,000. They had net tangible assets of £140,000.

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BIDS AND DEALS IN BRIEF

Diebold has agreed to sell certain assets of a subsidiary, Diebold of Canada, to Chubb Industries of Brampton, Ontario, a subsidiary of Chubb and Son, of England.

Terms of the transaction have not been disclosed. The Canadian unit manufactures and services security products for financial and commercial markets.

At an Extraordinary General Meeting of DBE Technology Group, shareholders have passed resolutions to approve the sale of the company's offshore operating business to Ferranti and to approve the merger with DB Instrumentation.

Shareholders also passed resolutions approving the issue of £200,000 nominal floating rate convertible unsecured loan stock 1986 and the measures necessary for its conversion, the change of name from Bell Electronics, the cancellation of the share pre-

mium account; the increase in the authorised share capital; and the authority for the company's directors to allot those shares.

Grandmet International Services (GIS) says that the offer made by a subsidiary of Grand Metropolitan for the whole of the issued share capital of Rossetti and Russell has been accepted by over 90 per cent of Rossetti and Russell.

The offer for Rossetti and Russell for the capital of Streets of Godalming has been accepted by the holders of 5,633,794 ordinary shares, some 78.3 per cent of the capital. The offer has been extended until January 9.

At a meeting of the holders of RTI and Northern warrants, the same date, trustees of RTI warrants would receive warrants to subscribe ordinary

Foreign and Colonial trusts in merger talks

General Investors and Trustees and Colonial Investment Trust have begun talks aimed at a possible merger between the two companies, both of which are members of the Foreign and Colonial Management group.

General Investors shares rose 13p yesterday to a 1983 high of 145p while Colonial rose 9p to 132p, a high also.

The two companies said that if terms were agreed the merged trust would specialise in the Pacific Basin where the Foreign and Colonial group has about £200m invested. The companies related to the merger would be valued at £1.1m in the first 1983 half against £967,000.

Anglo Scottish Investment Trust—As a result of a market purchase on December 14, Anglo Scottish Investment Trust acquired an additional 1,478,108 ordinary shares of Anglo Scottish, thereby increasing its beneficial interest to 4,778,000 shares (14.02 per cent).

Feeder—Agricultural Industries—Usborne and Son (London) has acquired a further 225,000 ordinary shares in Feeder. This brings its total holding to 1.61m shares (11.6 per cent).

Thurby Group—Holding of Suter in the ordinary shares is now 1m (6.76 per cent).

Fobel International—Mr. Alan Leboff, director, disposed of 500,000 shares, part of which have been placed with institutions and balance given to a charitable foundation and to his children.

Atkins Bros. (Hosiery)—Seaford Investments now holds 490,000 ordinary (15.31 per cent).

Ladies Pride—ESAL Commodities has purchased a further 138,000 shares, the total holding is now 987,700 (11.74 per cent).

As a result of recent sales, Prudential Corporation Group now holds 479,500 ordinary (5.83 per cent).

Highgate and Job—Peacefield purchased a further 45,990 Highgate shares on December 13. Its holding now totals 185,040 (19.9 per cent).

Noble and Lund—Selective Investments has acquired a further 50,000 shares, bringing its holding to 420,000 ordinary (7.35 per cent).

High Gorse Park—Bellway is interested in 5,504 ordinary (7.26 per cent).

SHARE STAKES

Atkins Bros. (Hosiery)—Seaford Investments has purchased 10,000 ordinary shares, making total holding 490,000 (15.31 per cent).

Caparo Properties—Sun Life Assurance Society has purchased further shares and holds 500,000 shares (5.86 per cent).

Invicta Gilt Income Fund—AHR B.V. has sold 113,095 preference shares (17.02 per cent).

Tesco—Sir Leslie Porter, chairman, disposed of 60,000 shares from his beneficial interest at 169p per share.

Greycoat City Offices—N. Fetterman, a director, sold 45,000 ordinary shares.

Esage—The following directors have sold shares: Mr. J. G. Dickson 70,000 shares and Mr. A. P. D'Adda 20,000 shares.

MMW Computers—Mr. B. D. Johnson sold 35,000 shares.

Restaldi—Mr. E. J. R. Christensen, a director, acquired 28,000 ordinary making holding 10,500 (0.5 per cent).

Berendson—purchased 30,338 ordinary making holding 106,139 (55.46 per cent). Adam Elsass, a director, acquired 27,000 ordinary making holding 259,174 (1.34 per cent).

Ferry Pickering—Mr. P. G. Nixon, a director, disposed of 25,000 ordinary.

Capital Reserve Fund—Norman Woolless now holds 5.59 per cent and Paterson Zochonis 6.06 per cent.

Whittington Engineering—Seaford Investments purchased 32,500 ordinary making total holding 112,000 (9.8 per cent).

Estates and Agency—Endeavour Trust sold 15,000 shares at 125p per share. Rose-diamond and its subsidiaries now hold 353,339 shares, making total holding 490,000 (15.31 per cent).

Norfolk Capital Group—Bank of Credit and Commerce International has over the period December 1 to 12 1983 sold 1,393m shares (approximately 10.5 per cent).

Morgan Tea Holdings—The Arthur Bartfield Group has increased its holding to a total of 35,000 ordinary (10 per cent).

United—Mr. D. Thompson, a director, has sold 35,000 ordinary, reducing his holding to 100,000 shares.

Francis Industries—Suter has acquired 100,000 ordinary, making a total holding of 2,700,000 shares (24.39 per cent).

S. Pearson and Son—Mr. M. W. Burrell, a director, has sold 22,000 ordinary shares.

Allied Leather Industries—Mr. R. J. Watson has reduced his ordinary holding to below 5 per cent. Mrs. L. L. Francis has acquired further ordinary shares and her holding is now 50,857 (10.13 per cent).

The Merchants Trust—GRE nominees have purchased 59,000 ordinary shares, making a cumulative preference stock.

Whittington Engineering—Mr. W. G. Salisbury, a director, has sold 100,000 ordinary.

Poly Peck (Holdings)—The Friends Provident Life Office now beneficially holds 364,850 ordinary shares (5 per cent).

Bradford Property Trust has purchased 10,000 of its own ordinary shares at 275p per share.

Fine Art Developments—Mayflower Finance (Burton) has sold 100,000 shares, resulting in reduced beneficial holdings as follows: Mr. F. R. Kerry 72,000 shares, and Mr. R. Kerry 28,000 shares.

Mr. W. N. Kirby has increased his beneficial holdings by 8,407 shares, while Mr. J. P. Parker has purchased 20,000 shares.

Noble and Lund—Selective Investments has acquired a further 50,000 shares bringing its holding to 420,000 ordinary (7.35 per cent).

McCarthy and Stone—Mr. and Mrs. J. S. McCarthy and W. F. McCarthy disposed of 1,000,000 rights to 2,008,323 ordinary and 931,677 ordinary respectively at 32p per share, all paid.

County Properties Group—On December 12, Mr. John Guthrie disposed of his personal beneficial holding of 219,720 "A" shares. His beneficial interest in "A" shares now consists of his children's interest as a trust holding 10,000 such shares. On the same date, trustees of Braxton Land Properties Executive Pension Scheme acquired the said 219,720 shares. Mr. John Guthrie and Mr. and Mrs. John Guthrie are members of this pension scheme.

Highgate and Job—Peacefield purchased a further 45,990 Highgate shares on December 13. Its holding now totals 185,040 (19.9 per cent).

Noble and Lund—Selective Investments has acquired a further 50,000 shares, bringing its holding to 420,000 ordinary (7.35 per cent).

High Gorse Park—Bellway is interested in 5,504 ordinary (7.26 per cent).

Bowater seeks to sell Swiss holding

By John Wicks in Zurich

Bowater, paper and packaging group, is attempting to sell its 48.15 per cent stake in the Basle-based shipping company Schweizerische Reederei und Neptun.

The matter was the subject of an SRN board meeting yesterday, results of which are expected to be announced this morning. SRN is Switzerland's biggest shipping company, with a large fleet of barges plying the Rhine.

The leading Swiss retail co-operative, Migros, is interested in purchasing the Bowater shareholding, but apparently only on the condition that it will subsequently be able to acquire a majority stake in the shipping company.

Apart from Bowater, other shareholders in the company, which has a market capitalisation of Swfr 12.2m (£5.87m), include the Canton of urban Basle, with 16.15 per cent, the Swiss Confederation (8.35 per cent), Canton Rural Basle (1.92 per cent), other cantons, cities and communities (together 5.43 per cent), public corporations including Swiss Federal Railways (3.85 per cent) and industrial companies, primarily coal importers with a total of 11.08 per cent.

SRN is by far the largest of the Basle shipping companies. The company's annual turnover was of Swfr 102m last year, with net profits of Swfr 1.5m.

Bowater has been negotiating for some time that it would be interested in disposing of the stake as part of a change in direction from low yielding operations like warehousing and Rhine shipping into service type activities like freight forwarding.

Bowater has held a substantial stake in SRN since 1975 through a Swiss subsidiary, Neptun International Holding. It has been indicating for some time that it would be interested in disposing of the stake as part of a change in direction from low yielding operations like warehousing and Rhine shipping into service type activities like freight forwarding.

SRN is by far the largest of the Basle shipping companies. The company's annual turnover was of Swfr 102m last year, with net profits of Swfr 1.5m.

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Gold to resume upward trend

BY GEORGE MILLING-STANLEY

INDUSTRIAL DEMAND for gold should strengthen in the year ahead provided that economic growth in the U.S. extends to the rest of the world, according to the chairman of the Anglo American Corporation of South Africa's gold mines in the Orange Free State.

The chairman of the President Brand, President Steyn, Free State Goldfields, Welkom and Western Holdings gold mines base their expectations on the fact that manufacturers' stocks of gold are known to be low.

Beyond that, the international debt situation is still far from resolved, and could become critical at any time.

The gold price is expected to remain within the \$370 to \$430 per ounce trading range until the end of the year. Investment sentiment, and possibly even the outcome of the U.S. presidential election is known.

President Brand, chairman of the Anglo American Corporation of South Africa, said in his latest annual statement that he has little doubt that the long-term upward trend in the gold price will be resumed.

The long-standing drought in South Africa—which could hit electric power supplies to the mines—has given rise to anxiety in some quarters, and the chairman notes with relief that good rains have fallen since October in the important catchment areas.

However, further good rains are needed to ensure adequate water supplies beyond next year, and the problems are by no means over.

The chairman makes the point that the dollar gold price in the year to September 30 improved by around \$50 an ounce, to 16 per cent.

More importantly, the depreciation of the rand against the dollar meant that the improvement in rand terms was nearer 25 per cent, thus providing some protection against the inexorable rise in working costs.

Prices for the valuable by-product uranium have tended to move upwards during the past year and are now about 40 per cent higher than the low point reached in August 1982.

While this has eased the downward pressure on price for long-term contract deliveries, overall supplies are still expected to exceed demand for some years to come. There does not, therefore, seem to be any prospect of a material improvement either in contract prices or new demand.

They saw this as a major step forward in industrial relations in the mining industry but deprecated the fact that little progress has so far been made on the question of the "discriminating" "scheduled person" definition, which effectively prevents blacks from obtaining promotion beyond a relatively low level in the industry.

Royex Sturgex to control International Corona

A MAJOR financing and board reshuffle at Canada's International Corona Resources is announced that will have the effect of moving control of the gold exploration company from Mr. Murray Pexim to Royex Sturgex Mining. The latter is 41 per cent owned by the Campbell Resources group.

International Corona's main asset is its 45 per cent stake in a promising gold property at the exciting old camp in north-western Ontario.

The senior partner in the venture is Teck Corporation which holds the remaining 55 per cent. It is committed to taking the C\$70m (£36.6m) gold proposition to the production stage.

Under a series of financing deals which mean Royex putting new funds of some C\$11.6m into International Corona, Royex will end up with a stake of approximately 20 per cent in the latter.

This is slightly more than that held by the Pexim interests and both the Royex and Pexim stock in International Corona will be placed in a voting trust to be controlled by a reconstituted Board of the company.

The new International Corona Board will have the names Royex, Sturgex, Teck, and a Goodman, a Toronto-based investment counsel, and Mr. Tim

S. Simpson plc

"... we have set ourselves a still higher target for next year and approach the challenge with confidence."

J.P.N. Mengers, Chairman

Principal Group Activities

- Manufacturing — DAKS menswear, womenswear, rainwear and leisurewear for UK and export
- Licensing — DAKS clothing and accessories produced locally in major world markets
- Distribution — The "DAKS Companions" range of accessories
- Contract — Activon, suppliers of tailored clothing to Marks & Spencer
- Retailing — Simpson Piccadilly, London's leading specialty store

Results in brief

	1983	1982
Year ended 31st July	£'000	£'000
Turnover	27,028	22,949
Profit before tax	843	402
Profit after tax	651	271
Ordinary Dividends	253	222
Earnings per share	10.13p	4.14p

Copies of the Report & Accounts can be obtained from

The Secretary,

34 Jermyn Street, London, SW1Y 6HS



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Over-the-Counter Market

1982-83	Company	Price	Gross Yield	P/E
158	127 Asa. Int. Ind. Ord.	122	8.4	5.2
158	127 Asa. Int. Ind. CULS.	134	8.0	7.5
76	21 Arm. Ind. & Rhodes	76	6.1	8.0
48	21 Arm. Ind. & Rhodes	76	6.1	21.7
268	980 United Tech.	268	2.2	10.2
54	53 Bray Technologies	54	2.7	5.0
200	200 CCL Ordinary	200	5.0	2.5
151	100 CCL 11p Conv. Pref.	148	15.9	10.6
270	100 Cindico Group	100	17.6	17.8
88	46 Debenhams Services	81	0.0	11.8
180	77 Frank Hovell	180	0.0	27.3
169	75 Frank Hovell Pr Ord	169	8.7	5.1
83	38 Frederick Parker	38	7.1	18.2
100	50 Int. Precision Castings	60	7.3	14.6
220	100 Iain Conv. Pref.	218	17.1	7.8
116	47 Jackson Group	116	4.5	3.6
227	111 James Burrough	226	11.4	5.0
297	275 Minhouse Holding NV	297	4.0	13.2
290	120 Robert Jenkins	290	20.0	16.8
51	54 Scrutons 'A'	50	7.7	9.5
167	76 Toraday & Carlisle	76	2.6	3.8
438	388 Travian Holdings	438	+1.0	5.8
28	12 Unilack Holdings	17	1.0	5.8
90	64 Walter Alexander	88	6.6	7.7
278	214 W. S. Yates	244	17.1	7.0

THE MANAGEMENT PAGE

Scaling the heights of executive development

David Dodwell on Outward Bound management training

THE FIRST hint of daylight helped us stumble up the last steep slope to the top of what we thought would be "Bird's nest rock." After more than an hour map-reading by torchlight across a pitch-black Welsh hillside, we scoured the peak for a canister we knew we ought to find there.

Then David stopped, stared north, and pointed at a dimly outlined mountain about half a mile away. "We've climbed the wrong tree," he mused.

We laughed, but the moment was deeply depressing. All right, so we were tired, and map-reading one's way across mountains in the dark is not easy, but the simple fact was that we had bungled, losing the team a valuable hour or more at a stage when every minute counted.

In management terms, our failure to climb the right "tree" on a first attempt had been disastrous. We had been precious and argumentative on the way up the hill, working poorly as a team and doomed to make mistakes. The need for haste had persuaded us to race up the hillside without taking adequate account of the difficulties that darkness presented.

More important, we had left the rest of the team waiting

for us in a van by the roadside — tired, bored, and well aware that they could be better used on the various tasks that still faced us in the remaining few hours of the 24-hour exercise. Worst of all, we knew that the mistake might make the difference between success and failure in a wild goose chase that had monopolised our minds for the past day.

The 24-hour exercise was the climax of a one-week Personal Development and Leadership Programme (PDLP), run jointly by Dunlop and Cadbury Schweppes at the Rhondda Outward Bound centre near Aberdovey in mid-Wales.

Dunlop founded this particular course — aimed at using the outdoors to enhance the self-awareness and team skills of young employees, both men and women, and to assess their leadership potential — about three years ago. In recent years a growing number of companies have come to use the outdoors as a training and management development medium, but controversy still surrounds its use.

Many senior managers dismiss such courses as "army games" intended to "make men" of employees — all of which is in-

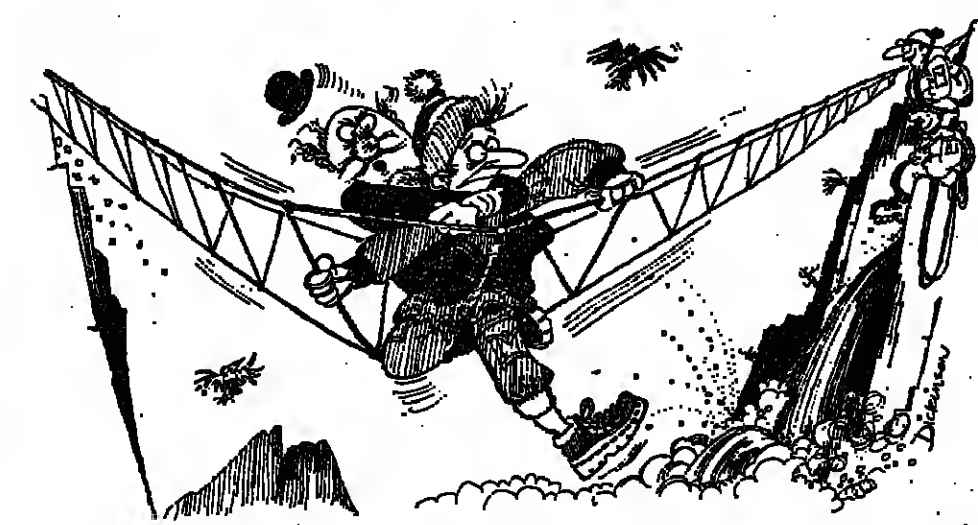
appropriate to the 1980s, or to modern business.

And in fairness, to watch a manager dangling helplessly upside down on an abseil rope may be helpful in knocking a little pomposity out of him or her, but it is not immediately obvious how the experience might be of use back in the work-place.

Well aware of this kind of criticism, Chris Creswick, a trainer for the Food Drink and Tobacco Industry Training Board, and Roy Williams, head of employee development at the Imperial Group, noted in a seminar paper on using the outdoors: "Pictures of men and women scaling cliff faces, crossing torrents and trekking across mountains convey an image. But they do less than justice to the serious latent that can underlie the activities."

"Outdoors training is not about outdoor pursuits. It is a means by which the challenge, the novelty and physical reality of the environment and the skills needed to deal with it are harnessed to help managers develop skills directly relevant to their jobs."

"Managing an outdoor situation is like managing a large full of unpredictable events and



Steady, Hoskins... think of that company car, index-linked pension, free BUPA cover...

people, a result has to be achieved, and there are only limited time and resources available. Because the tasks are so different from the normal work situation, the underlying management processes are laid bare," they wrote.

So it was for us scaling "Bird's Nest Rock." True, the climb was quite tiring, and the sunrise captivating, but never for a moment did any of us forget that this was part of a management exercise. The experience was indelible for us all — but more because of the management breakdown than because we climbed a Welsh hill.

So, too, with raft-building, or getting a barrel and logs over the "Berlin Wall." The tasks

were undoubtedly physical, but for all that, they were mainly about planning, sensible use of team resources and effective decision-making.

Apart from being one of Britain's first companies to use the outdoors for training, Dunlop is distinctive in that it adds personal assessment tests — it calls them "insight techniques" — to the usual outdoor and indoor simulations of management problems and procedures.

As with others, it starts with simple tasks, like getting the seven- or eight-strong team across a "minefield" using three barrels and two planks, to moderately complex ones like raft-building, or building a bosun's chair across 40 feet of

water — and finally to the major 24-hour exercise which tests team-work, mental stamina, risk-taking and resourcefulness to the limit.

The major exercise stands out because the tasks facing the team are complex, sometimes difficult to define, often at odds with one another — forcing constant adjustment of priorities — and are constantly being modified by "changes in the external environment."

Throughout the week, even on the most complex tasks, teams are left by the trainers to make their own decisions —

and mistakes — and to pick up the pieces after their self-inflicted disasters. The lessons are better learnt that way, trainers argue.

While different companies use the outdoors for training and development at different levels of management — from recent recruits to members of the board — and hold differing views about the content of courses, there is a common conviction among those involved that courses run in the outdoors are among the most effective and the best enjoyed.

David James, general manager of Dunlop's Car and Motor Sport Development, has sent five of his staff on separate Dunlop courses at Rhondda: "They have all come back — bar none saying it was the best course they have ever been on. We now have a groundswell of people who want to go on it."

Ha says staff return more self-aware, and talk about their strengths and weaknesses openly.

Peter Marriott, who attended Dunlop's first ever Rhondda course almost three years ago, last week remembered it as if it were yesterday. "It is the most intensive course I have ever been on, and the one I've got the most out of," he said.

He confesses to being shocked when he learned from other team members that he had an abrasive impact on people. It was then he became aware of his tendency to "engage" months before he had a problem. He feels he has still not eliminated.

Commenting on the aims of the course, John Cole, Dunlop's senior training adviser, noted recently: "In the work place, ambiguities and uncertainties exist. The lack of definition in

some of the programme tasks, and the fact that solutions are sometimes far from obvious, stimulates the reality of business life."

A survey mounted by John Cole showed that almost eight out of 10 senior managers saw a beneficial change in their staff once they had been on the course. Course members noted benefits in similar proportions with eight out of 10 saying they had emerged more aware of their strengths and weaknesses, almost half saying they were more self-confident and willing to take initiatives.

Colin Hope, a mainboard director at Dunlop, and head of the Tyre Services Division — part of which has just been sold to Sumitomo of Japan — said last week that he was "instinctively favourable" to outdoor training, even though he had "great anxiety" about a lot of management training.

"Managers are often good at dealing with the expected, but the most difficult problems usually arise out of the unexpected," he said.

A particular strength of management development in the outdoors, in Hope's eyes, is also the unique way in which it helps managers to cope with change and uncertainty — with the shadows currently hanging over Dunlop's future, that is a strength the company plainly needs.

Trainers using the outdoors would be the last to claim it is a panacea. It usually accounts for only a small part of a company's overall training programme. But those involved feel strongly that it is "essential" and is inappropriate and undeserved.

Formica's case for voluntary participation

THE EYES of nervous industrialists are turning with keen interest to companies like Formica. A British subsidiary of American Cyanamid, it has manufactured high-pressure decorative laminates at Tyne-mouth in North-East England since 1947, without its peaceful labour relations exciting much attention.

What attracts industry's gaze now is that Formica has spent two years developing a more participative management style, and it has established a framework for listening more closely to employees' views, and enhancing the quality of working life.

Cases like that of Formica are becoming important to a drive being mounted by employers' organisations such as the Confederation of British Industry, the Engineering Employers' Federation and the Institute of Directors.

They are trying to persuade companies to improve worker participation voluntarily. By this they hope to avert draft European Community legislation being considered by the EEC Council of Ministers — the Vredeling and Fifth Directives, which would oblige employers to consult workers and give them board representation.

The employers' organisations want the British Government to veto the EEC proposals. To back up their case they stress UK companies' dedication to employee participation. But privately they admit that much more of it could be done.

Voluntary reforms are never likely to satisfy the most strident advocates of statutory

employee involvement in decision-making. Formica's system, for instance, is based on the principle that senior management must not lose control of strategic decisions.

Improved participation, however, is already yielding practical results. Examples of these were given to the recent Institute of Personnel Management conference in Harrogate by Alan Smith, Formica's personnel director, and Derek Cuthbert, Training Development and Recruitment Executive.

Many of them are modest, but concern the detailed process of change which affect individual job satisfaction:

● Alterations to manufacturing processes are now introduced in planned steps which

allow for questions and discussion.

● Damage control groups, similar in some ways to quality circles, have been set up to reduce damage to laminate sheets during manufacture, which is a major cause of scrap.

● Communications meetings have been set up, ranging from departmental meetings to a twice-yearly assembly conducted by the managing director.

● On the recommendation of a group of dining-room users, the three separate dining rooms for directors, staff and manual workers have been merged into one.

● The company newspaper has not only negotiated on a new banding salary system, but has

been changed to "belong" more to employees, rather than being a management document.

● The staff union ASTMS has been involved in job analysis itself — with representatives being trained as job analysts.

Formica cites the UK Companies Act and the EEC proposals as among the factors which encouraged it to think of improving participations — along with changes in the education system which lead new recruits to expect a less authoritarian environment, and the common observation that Japanese success is based partly on quality circles and other participative practices.

The company also wanted to make better use of the experience of its employees, whose average length of service is 16 years. "Employees had responded well to participative approaches in the past such as yield improvement schemes," says Smith.

Formica has been assisted by advice from the Employment Department's Work Research Unit, a tripartite body which encourages participation. Consultants have been employed at various stages.

Trade union district officials had some reservations when the proposals were first mooted. Some of the company's older managers and supervisors could not see the need for a successful company to change.

The younger element gave strong support, however, as did a meeting of in-house union officers representing the 650 employees.

A steering group, representing a cross-section of employees conducted a survey of the workforce. A number of respondents felt it was a gimmick, but none the less the survey showed that nearly everyone wanted more involvement in matters affecting changes in their work.

An "action plan" was announced in September 1982. Among other things, it defined participation at Formica as the meaningful discussion of decisions which affect our working lives.

It set in motion a programme of training in participation, "listening skills," and causes of conflict.

There have been disappointments as well as successes. In spite of efforts to set up a formal communications system, there are still examples of messages not being received, or not being understood.

"Though it has always been stressed that the participation project would not bring dramatic overnight changes, there has nevertheless been disappointment at the limited extent of change which has occurred," says Smith.

However, he argues that there are now signs that movement is starting to take place. And from the company's point of view, Formica is starting to achieve corporate objectives more easily through participation than by traditional methods of consultation.

Adds Smith: "We have had to seek a recognition of hard decisions concerning manning levels and other economies, and I believe the co-operation we have received arises largely from a realisation that we are doing our best to enhance the quality of working life throughout the company."

Brian Groom

EDITED BY ALAN CANE

TECHNOLOGY

SATELLITE SYSTEMS WILL GIVE NAVIGATIONAL INFORMATION CORRECT TO A FEW METRES

What price knowing where you stand?

BY PETER MARSH

THE AMERICAN Government will decide over the next few months whether to charter ordinary people for tuning into military satellites that will provide information about position with an accuracy of a few metres.

The Department of Defense's U.S.S.B. Global Positioning System is intended primarily for the military. With signals from satellites circling the Earth at an altitude of 20,000 kilometres, soldiers on battlefields will compute exactly where they are.

The information will also be useful to military commanders who want to plot the trajectories of nuclear missiles.

But the Pentagon has come under increasing pressure to make the navigation information from its satellites freely available to civilians, for example, airline pilots or shipping organisations.

Under present plans, civilians will be permitted to tune into signals from the spacecraft. But they will gain only relatively inaccurate information about their position.

For an annual "access fee" of \$370, civilians will gain access to what is known as an "S code."

This makes sense of the stream of digital data that the navigation satellites beam from space. When processed by a small computer built into receiving equipment, the signals give the person's position to within 100 metres.

Codes

The spacecraft will also send data in another format, the "P code." This gives data about position to within 15 metres. But "P codes" will be available only to military staff.

According to a senior official in the Pentagon, it is likely that the Department of Defense will plan to charge people for tuning into the satellites. But the question about whether to make available the more sensitive information is still under review.

The issue of civilian access to the Global Positioning System is under review by two committees of Congress. The Federal Aviation Administration is also discussing with the Pentagon how airlines could benefit from the satellite network.

Signals from the space vehicles could give pilots more

accurate and reliable navigation than is possible with current techniques such as land-based radio beacons or inertial navigation systems centred on gyroscopes.

With the Global Positioning System, for example, the incident three months ago in which a Soviet fighter shot down a South Korean airliner might not have occurred. It seems that the aeroplane strayed off course over Soviet territory as a result of a failure in navigation.

The 11-nation European Space Agency, based in Paris, is also discussing plans for a satellite network for navigation, called Satnav. This would be purely a civilian system and, says Colin Rossetti, a planner at the agency, would definitely not have to pay to tune into the satellites.

ESA is unlikely, however, to decide before 1986 on whether to go ahead with Satnav. Racal-Decca Marine Navigation, a company in Britain, is working on specifications for the hardware.

Plans for the American system are, by contrast, further ahead. This summer the Department of Defense asked Rockwell to produce 28 satellites at a cost of \$2bn. Eighteen of the satellites will be operational, in three orbits of six. The other 10 will be spare.

The vehicles will enter orbit over the next five years on the U.S.'s fleet of space shuttles. The spacecraft will be specifically adapted so they can withstand the effects of nuclear radiation. They will also have anti-jamming devices to foil any attempts by the Soviet Union to impede their operation.

Pentagon

The Pentagon is spending another \$6bn on control stations and on 20,000 receiving sets for the armed forces and coastguard officers. The sets will pick up signals from several spacecraft simultaneously. This should always be possible because of the number of vehicles that will be in orbit.

With data about the position and velocities of the satellites, a computer in each receiving set will calculate its whereabouts in three dimensions to within a few metres.

The Global Positioning System



will follow another set of spacecraft for navigation that the Department of Defense put into orbit in the 1960s. In the Transit system, satellites provide information about position to within 100 metres. Anyone is allowed to tune into the hardware. Some 50,000 people, many of them owners of small boats, have Transit receiving sets.

But the network has limited applications because only six Transit vehicles are in orbit. So they do not appear above the horizon often enough to appeal to people who want to receive a "fix" from space 24 hours a day.

Mr Thomas Stansell, director of advanced programmes of the California company Magavox, is among the most enthusiastic of those who point out the civilian applications of satellite navigation. According to Stansell, by the late 1990s, 10m people around the world could use the Global Positioning System.

Such people could include hikers who need the information to negotiate mountain passes and mining companies which, with bearings from the sky, would locate minerals deposits. Taxi firms or lorry drivers could also find the system useful for pinpointing their position.

Thanks to advances in electronics, hardware for satellite

navigation systems has fallen in price from U.S.\$65,000 in the 1960s to some U.S.\$2,500 today. Mr Stansell says that the price will fall further by the 1990s, to about U.S.\$500. At this point, the equipment will fit easily into a backpack or inside the dashboard of a car.

Paradox

Perhaps paradoxically, Mr Stansell thinks that the American Government should charge people for tuning into the navigation system. This is to ensure that the Pentagon runs a decent service for civilians rather than a non-operational network that can be switched off at the whim of the military.

According to Mr Stansell, such a policy would also ensure that the American taxpayer obtained some return on the initial investment in the hardware. Cash could be collected in a similar way to that mooted for obtaining fees from people who tune into satellite TV.

Everyone who has paid an annual fee would receive a special chip that plugs into the receiving set and decodes the signals transmitted from the heavens. Alternatively, the messages from the space vehicles could be "addressed" so that they can be received only by specified receivers.

INDIA'S SOFTWARE INDUSTRY

Programs at half the UK cost

BY JOHN ELLIOTT IN NEW DELHI

Bilateral trading deals are planned with Eastern Europe and France to promote major expansion and generate \$40m revenues in 1984.

INDIA'S mushrooming computer software industry is to be boosted by a major Government expansion programme which the Department of Electronics hopes to support with a series of bilateral trading deals with different countries.

French civil servants and industrialists recently discussed possible two-way trade during talks in Delhi. Deals have already been struck in Eastern Europe where India has strong trade links with the USSR and Bulgaria.

Exports of software from India doubled in 1983 from US\$ 10m in 1982. "In 1984, I am planning for exports to grow to US\$ 40m through deals with various countries," says Dr N. Seshagiri, director of computer development in Delhi's Electronics Department.

The number of companies licensed by the department to produce software using imported equipment has jumped from 20 to 30 early last year to over 100. The companies employ an estimated 5,000 people.

Dr Seshagiri claims that India's software can be as much as 25-30 per cent cheaper than developed countries' products. A more generally accepted figure is nearer 50 per cent.

"We have large resources of low-cost intellectual manpower in India and it is criminal not to put many of the hundreds of thousands of unemployed qualified engineers to work. They should be trained for software work until they

can get engineering jobs maybe later," says Dr Seshagiri.

In a country as vast as India, such a dream is not easily fulfilled. But Dr Seshagiri intends to make a start by training and employing 200 engineers to link computers in state governments with Delhi.

India's software potential has developed in the past three years as the government's protectionist industrial policies have been relaxed, enabling firms to import computers on which to build software expertise.

Indians' intellectual capabilities, particularly in science and technology, are internationally recognised. But the best brains usually emigrate.

The development of software has provided a way of using that intellectual aptitude at home although several large companies send software engineers abroad.

India's sudden entry into the international software market has aroused some opposition and criticism because some people believe it is not engaging in full international trading.

But, starting with its links with the Soviet block, India plans to build two-way deals. Under an electronics protocol signed three months ago, Florg of the USSR is selling India educational computers for three engineering colleges worth US\$5m.

In return India will sell four times as much — some US\$10m of software — and another US\$10m of computer components and equipment during the next three years.

Talks with French companies such as CIT-Alcatel, Bull and Thomson may yield software orders worth some US\$10m.

India's software companies hope also to sell products to Australia, the U.S. and Japan.

Small call logger

COMPANIES THAT have switchboards with as few as 10 extensions can benefit from the number called and meter pulse count/cost can all be kept. It is possible to allocate costs to individuals or to client accounts in the case of say, a solicitor's office.

About the size of a telephone directory, the unit can store

details of 1,000 calls on a "chip" memory. The date, time, duration, calling extension number, the number called and meter pulse count/cost can all be kept.

It is possible to allocate costs to individuals or to client accounts in the case of say, a solicitor's office. More on 0753 708281.

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Smelting Electric furnace simulation

FOUNDRY owners contemplating moving into electric smelting techniques may be able to save money by using computer model developed by the Electricity Council.

The Furnsim system simulates the operation of any combination of electric melting furnaces which produce metal for a foundry.

The Electricity Council workers which produced the model say that it allows the effects of energy consumption, metal shortages or energy cost on the operation of a plant to be considered before new installations or changes to existing furnaces are made. More information is available from the Electricity Council on 01-534 3641.

Electronics Recorder for the police

A DUAL cassette tape recorder has been designed by DWT Associates (Electronics) that should give greater validity to tape recorded police interviews.

The problem has centred around doubts as to the reliability of tapes submitted as evidence, because it has been difficult to show that the tapes have not been edited or tampered with.

The new machine not only produces two identical tapes at the same time, one of which becomes the security master, but it also puts down a "time tagging" track which soon enables editing to be detected.

Trials are to take place in six police authority areas.

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SECTION III - INTERNATIONAL MARKETS

FINANCIAL TIMES

Wednesday December 21 1983

NEW YORK STOCK EXCHANGE 18-20
AMERICAN STOCK EXCHANGE 19-20
WORLD STOCK MARKETS 20
LONDON STOCK EXCHANGE 21-23
UNIT TRUSTS 24-25
COMMODITIES 26
CURRENCIES 27
INTERNATIONAL CAPITAL MARKETS 28

WALL STREET

Seasonal sentiment undimmed

THE APPROACH of the festive season was met with continued optimism on Wall Street yesterday despite warnings from pessimists who claimed to detect a faint rattling of chains from the cellars of the Federal Reserve Board, writes Terry Byland in New York.

To quote one leading market watcher: "We will expect a traditional year-end rally, of course. The question is whether it comes before or after the year end."

The stock market opened briskly with the help of a further slackening in short-term rates in the credit markets. However, turnover remained very thin and gains in leading stocks faded away at mid-session when the bond market turned easier.

The stock market slipped lower during the latter half of the trading session. By the close, the Dow Jones industrial average was 2.64 down at 1241.97, on turnover of only 84m shares.

The announcement of a 6.4 per cent gain in housing starts in November - greater than expected - reawakened bond market uncertainties about how the Fed will react to the continued strength of the advance in the economy. Also hanging over both sectors of the

stock market was the disclosure expected late in the session of the U.S. Treasury funding needs for the next quarter.

A substantial recovery in airline and rail issues provided one of the best features of the stock market. Pan Am added 5% to \$8% following announcement of the latest statistics on world air passenger traffic.

IBM at \$122 1/2 showed a gain of 5% but had slipped back from its best levels, and this trend was the fate of many leading stocks. Honeywell slipped 3% to \$135 1/2. Exxon lost 5% to \$37 1/2, and American Express, still prominent on the list of active stocks, lost 3% to \$30 1/2.

The busiest stock in the market was Champion Spark Plug, 3 1/2% up at \$11 1/2.

In the aerospace issues, McDonnell Douglas regained 3 1/2% of its loss to reach \$58 1/2, with investors evidently deciding that the collapse of the Tynshare deal might be a blessing.

Utility stocks attempted a rally from depressed levels, with Long Island Lighting 5% better at \$13, still awaiting the outcome of the problems in obtaining official acceptance for the nuclear plant project near Manhattan.

Motor issues opened the session with a round of small gains, but these melted away later when the market turned uneasy. In an unsettled pharmaceutical sector, where the firmness of the U.S. dollar continued to bear down on these export-orientated groups, Bristol-Myers, \$1 up at \$45 1/2 was the firm spot.

The AT&T issues had another busy session, with the new stocks 3% down at \$18 1/2 and the old 3% off at \$63 1/2. The news of a new video product had little effect on Eastman Kodak, which remained unchanged at \$74.

In the credit market, the uncertainty over prospects for Federal Reserve policies continued as the Reserve Board's open market committee met to discuss the outlook.

The bond market was expecting the Treasury to announce around \$15bn in quarterly funding needs before the end of the day.

At the opening, Treasury bill discounts fell back below the rates chalked up at the auction of Treasury securities on the previous evening. The Federal funds rate was the helpful factor, trading down to 9 1/2 per cent, against its overnight level of 9.85 per cent.

The Federal Reserve again helped the market, this time with \$2bn in customer repurchases when the Federal funds rate stood at 9 1/2 per cent.

But support began to wane in the credit markets after mid-session, and three-month Treasury bills were discounted 9.04 per cent, five basis points down on overnight, but just about in line with the auction levels. The six-month bill, at a discount of 9.20 per cent, was about two basis points off.

The bond market traded narrowly around Monday's levels. After opening at 100 1/2, a shade above overnight, the key long bond slipped to 100 1/4, a net 1/2 down and yielding 11.93 per cent.

TOKYO

Rebound to record levels

SHARES REBOUNDED to record levels in Tokyo yesterday in a sharp turnaround from Monday's heavy losses caused by the ruling Liberal Democratic Party's election setback, writes Shigeo Nishiwaki of Jiji Press.

A round of small-lot buying across a broad front took the Nikkei-Dow market average to an all-time high of 9,627.93 - above 9,600 for the first time and recording its second largest gain for the year of 143.76 points.

Volume climbed sharply to 500.25m shares from Monday's 251.19m.

Stock price rises were prompted by two encouraging factors. First, it became clear that the LDP could remain in power by bringing some independents into the party to swell its ranks beyond the 250 seats won in Sunday's election. Second, fears of heavy foreign selling early in the morning disappeared.

With much investor interest focused on medium-priced quality issues in the food, textile, paper-pulp and chemical sectors, the market strengthened gradually for most of the session.

In the chemical sector, issues related to the planned Information Network System (INS), a nationwide telecommunications grid using optical fibre cables, advanced in active trading. Nippon Sheet Glass and Sumitomo Electric Industries each gained Y26 to Y600 and Y810 respectively, and Shin-Etsu Chemical rose Y34 to Y948.

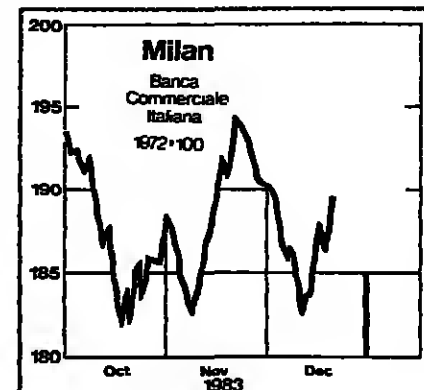
Among paper-pulp issues, Oji Paper firmed Y14 to Y469. Food stocks held steady on small-lot buying, with Kirin Brewery climbing Y18 to Y518 and Takara Shuzo Y16 to Y496. Of the big-capital issues, Mitsubishi Heavy Industries advanced Y7 to Y263.

Some blue-chip stocks recouped some of Monday's losses, but trading was lacklustre as foreign activity was expected to die away ahead of the Christmas season. Major gainers were Matsushita Electric Industrial, up Y30 to Y1,900, Toyota Motor, up Y30 to Y1,470, and Canon, up Y40 to Y1,590.

In the bond market, buying interest

remained strong, partly because the yen had firmed against the dollar. City, regional and foreign banks in Japan bought bonds and then sold to take advantage of higher prices.

Active bond trading pushed the yield on the benchmark 7.5 per cent long-term government bond, maturing in January 1993, down sharply to 7.43 per cent from Monday's 7.465 per cent.



EUROPE

Budget gets Milan into gear

MOVES TOWARDS parliamentary approval of Italy's 1984 Finance Bill buoyed investors' confidence in Milan yesterday, and shares staged a strong advance. The bourse index, which had dipped on Monday as speculators opened up positions for the new account, added 3.11 to 189.54.

Advances in industrial issues led the market higher. Fiat gained L69 to L3,339, while Olivetti put on L50 to L3,850 ahead of an announcement today about the group's "strategies and alliances."

Italmobiliare group shares, which have been under pressure recently, staged a strong recovery, gaining L1,630 to L38,380, while Bastogi gained L5.50 to L124.50. In the insurance sector Generali gained L1,000 to L133,300.

Frankfurt finished mostly firmer in thin trading. Deutsche Bank, which saw

a large buy order early in the day, added DM 4.90 to DM 323.50 after trading as high as DM 326.

Stores again drew strength from busy seasonal trading. Herten rose DM 3 to DM 185, while Karstadt and Kaufhof advanced DM 1 to DM 281.50 and DM 266, respectively.

VW picked up the 50 pf lost on Monday after its announcement of an expected deficit of DM 300m this year. It closed at DM 202.60. Other motors were easier.

Insurer Allianz, which is bidding for Eagle Star of Britain, advanced DM 10 to DM 619 after the previous session's DM 15 rise.

Bonds extended their recent recovery, prompted by steadier U.S. credit markets and reflecting yields which had risen sufficiently to attract fresh enthusiasm. The Bundesbank supplied the market with a large DM 64.3m of paper after Monday's sales totalling DM 20m.

Meanwhile, the Bundesbank reported that net sales of domestic bonds in November fell to DM 7.29bn from DM 10.01bn in October but were above the previous year's level of DM 6.71bn.

Gross sales in November totalled DM 14.50bn after DM 17.28bn in October and compared with DM 15.70 in November last year. November redemptions were little changed at DM 7.22bn after DM 7.26bn in October, but were down on the previous November's DM 8.99bn.

Shares continued to advance in Brussels. FN, the arms and sports goods manufacturer, rose Bfr 170 to Bfr 2,300, while oil company Cornetra climbed Bfr 145 to Bfr 2,470 following an announcement that a consortium of the company and Gulf-Teikoku had found oil in Zaïre.

Among holding companies, Groupe Bruxelles Lambert added Bfr 25 to Bfr 2,260, while Société Générale de Belgique and Sofina rose Bfr 30 to Bfr 1,875 and Bfr 5,300, respectively.

A mixed to higher tone emerged in Zurich with selective buying providing support.

Tour operator Kuoni rose SwFr 200 to SwFr 5,750, while Hoffmann-La Roche gained SwFr 75 to SwFr 10,800. In financials, Jacobs-Schard saw some demand adding SwFr 75 to SwFr 6,600, and Landis und Gyr "B" traded 15 cents higher at SwFr 1,510.

Swiss domestic bond issues held steady. Provisional figures from Crédit Suisse show that foreign borrowers tapped the public and private Swiss capital market for a record SwFr 30bn this year - a rise of 10 per cent.

Continued on Page 20

KEY MARKET MONITORS



STOCK MARKET INDICES				
	Dec 20	Previous	Year ago	
NEW YORK				
DJ Industrials	1241.97	1244.61	1004.51	
DJ Transport	589.41	590.90	439.52	
DJ Utilities	130.54	130.54	117.02	
S&P Composite	162.44	162.32	136.26	
LONDON				
FT Ind. Ord.	769.80	762.10	588.70	
FT A. All-sh.	464.87	463.52	377.98	
FT A 500	486.68	495.40	417.11	
FT A ind.	458.70	457.17	381.44	
FT Gold mines	570.10	558.20	505.60	
FT Govt sec.	82.70	82.64	79.43	
TOKYO				
Nikkei-Dow	9627.93	9484.17	7658.04	
Tokyo SE	708.53	701.22	579.54	
AUSTRALIA				
All Ord.	757.80	755.80	470.80	
Metals & Mins.	546.40	544.90	399.70	
AUSTRIA				
Credit Aktien	55.91	55.39	49.38	
BELGIUM				
Belgian SE	134.79	134.48	98.89	
CANADA				
Toronto Composite	2513.8	2500.70	1851.70	
Montreal Industrials	438.73	438.07	314.87	
Combined	422.31	421.47	311.10	
DENMARK				
Copenhagen SE	202.23	200.58	93.83	
FRANCE				
CAC Gen	149.20	148.10	100.10	
Ind. Tendance	159.80	159.50	118.80	
WEST GERMANY				
FAZ-Aktien	345.25	344.12	245.80	
Commerzbank	1021.20	1018.30	742.60	
HONG KONG				
Hang Seng	858.53	857.25	754.12	
ITALY				
Banca Com.	189.54	188.43	165.24	
NETHERLANDS				
ANP-CBS Gen	147.80	147.70	97.70	
ANP-CBS Ind	123.20	122.70	81.50	
NORWAY				
Oslo SE	213.38	212.19	95.94	
SINGAPORE				
Straits Times	985.74	982.51	738.25	
SOUTH AFRICA				
Gold	848.2	834.70	853.90	
Industrials	937.1	936.60	724.80	
SPAIN				
Madrid SE	118.26	118.48	97.37	
SWEDEN				
J & P	1448.25	1446.54	882.83	
SWITZERLAND				
Swiss Bank Ind	372.30	371.90	278.10	
WORLD				
Capital Int'l	178.70	179.00	150.40	
GOLD (per ounce)				
	Dec 20	Prev		
London	\$377.875	\$375.125		
Frankfurt	\$378.00	\$376.00		
Zurich	\$378.25	\$376.25		
Paris (filing)	\$375.44	\$377.48		
Luxembourg (filing)	n/a	\$376.45		
New York (Dec)	\$379.40	\$373.00		
COMMODITIES				
	Dec 20	Prev		
(London)				
Silver (spot fixing)	\$68.50p	\$69.10p		
Copper (cash)	\$178.50	\$189.50		
Coffee (Jan)	\$2038.00	\$2078.00		
Oil (spot Arabian light)	\$28.12	\$28.12		

LONDON

Engineering majors forge way to peak

LEADING LONDON equities again attained new peaks yesterday despite a further sharp contraction in business volume. Government securities also made further modest progress, helped by sterling's steadier tendency against the dollar.

Demand for equities was sufficient to take the FT Industrial Ordinary index up 7.7 to a new peak of 789.8.

Of the index constituents, the engineering majors made the biggest contribution. Vickers rose 4p to 127p on confirmation that the group had sold its Rolls-Royce Diesel International division to Massey Ferguson for £20m. TI, recently good on suggestions that its Raleigh interests are soon to be sold, advanced 6p to 170p.

Details, Page 21; Share information service, Pages 22-23

SINGAPORE

A MIXED TREND emerged in light Singapore trading and the Straits Times index added 3.23 to 985.74.

A report from one investment company described the market as grossly overbought, adding that it might require a technical correction this week. The report recommended bargain hunting among blue chip issues during any correction phase.

Meanwhile, the Stock Exchange announced a revision of its share price indices from January 3, 1984. A new all-share index is to be introduced, while separate indices will continue for finance, property, hotel, plantation and mining sectors, as well as the industrial and commercial index. All listed companies in each sector will be used.

HONG KONG

SOME SLIGHT institutional buying was seen in a Hong Kong market that remained largely neglected. The Hang Seng index added 1.28 to 858.53.

Brokers now expect little market activity before the end of the year.

Among property issues Cheung Kong added 5 cents to HK\$7, but Hongkong Land was unchanged at HK\$2.85.

AUSTRALIA

EXPORTING COMPANIES drew strength from the easier Australian dollar in Sydney and helped the All Ordinaries index to a high for the year of 757.8 - up 2.2 on the day.

The oil and gas sector lost some of its momentum as takeover hopes faded. Golds ended mixed, with the metals and minerals index managing a 1.4 advance to 546.4.

SOUTH AFRICA

THE INABILITY of world bullion values to stage any significant recovery proved no real cause of distress to Johannesburg gold shares buoyed by dividend settlements above some expectations by mines in the JCI ("Johnnies") group.

Among these, Randfontein rebounded R4.50 to R168.50 and Western Areas 25 cents to R167.00, while a continuation of short-covering from abroad established gains among the heavyweights averaging R1.50.

CANADA

A BETTER showing by Toronto golds established a firm tone for the market as a whole, although advances elsewhere were generally muted.

TransCanada Pipelines, temporarily baited pending the results of the Bell Canada offer, was, none the less, volume leader.

Montreal showed most favour for the banks, while industrials and utilities also held broadly steady.

BP discovered a new site for their annual meeting at London's Barbican.

Like BP, many people have already held a conference at the Barbican. Or an exhibition. Or a meeting. Or any combination of all three.

And we can confidently claim they've been very successful.

But that's hardly surprising.

After all, the Barbican's

right in the heart of the City of London.

And London's not just a great place to do business. It's a great place to relax in, too.

Then, the Barbican Centre for

Conferences has all the facilities and equipment that any conference

organiser could ask for. It will welcome 2,000 delegates. Or just 10.

It's got loads of effective exhibition space.

And, of course, it's part of a complex that houses the famous new arts centre. Music, drama, cinema, art galleries - everything to please the cultivated mind.

If you want to be confident of success with your next conference, plan on booking the Barbican.

Send for your free book about the Barbican.

To: The Conference Director,
Barbican Centre for Conferences, Barbican,
London EC2Y 8DS. Telephone: + 441638 4141.
Please send me my free book. FT21/12

Name _____
Position _____
Company _____
Address _____
Tel _____

Barbican Centre for Conferences

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

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Continued on Page 18

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

[illegible]

Continued on Page 20

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

[illegible]

Continued on Page 20

Sales figures were unimpaired. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25% or more of the outstanding shares is declared, the price of the dividend is shown for the new stock only. Unless otherwise noted, rates of dividends are annual dividends based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend (cents). c-100-year-longest dividend, old-called "b" new-yearly low. d-1% Jan't declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. h-dividend declared after special meeting. i-dividend declared at the next, or thereafter, or no action taken at latest dividend meeting. j-dividend declared or paid true year, an accumulative issue with dividends in arrears. k-new issue in the current year. l-dividend declared or paid in the preceding, or next-day delivery. P/E-price-earnings ratio. o-dividend declared or paid in preceding 12 months, plus stock dividend. p-dividend declared or paid in preceding 12 months, plus stock dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading volume. w-dividend declared or paid in preceding 12 months. x-dividend under the Bankruptcy Act, or securities assumed by such companies. y-when distributed, w-when issued. w-with warrants. i-a-dividend or ex-rights. k-a-dividend or ex-rights. m-dividend in full. n-dividend in full. o-dividend in full. p-dividend in full. q-dividend in full. r-dividend in full. s-dividend in full. t-dividend in full. u-dividend in full. v-dividend in full. w-dividend in full. x-dividend in full. y-dividend in full. z-dividend in full.

WORLD STOCK MARKETS

LONDON

Five pave the way for reform

FIVE LAY members were yesterday appointed to the ruling council of the London Stock Exchange.

Drawn from industry, the legal profession and the wider environs of the City of London, their appointment is the first tangible step towards reforms that the exchange agreed with the UK Government in return for exemption from proceedings under the Restrictive Practices Act, writes Ray Maughan in London.

The appointments, which have been approved by the Bank of England in its expanded monitoring role of the securities markets, will be salaried and take effect from the council meeting on January 17.

Industry will be represented by Mr Robin Adam, deputy chairman of British Petroleum, and Mr Alan Clements, finance director of Imperial Chemical Industries. Prof Robert Jack, a Glasgow solicitor and a recently appointed lay member of the Council for the Securities Industry, will represent the legal profession and, as he said yesterday, business interests north of the Scottish border "which are remote from the market".

The interests of major users of the stock exchange will be represented by Mr Hugh Jenkins, director general of investments for the National Coal Board Staff Superannuation Scheme, and Mr John Hull, an early director-general of the Takeover Panel and former chairman of J. Henry Schroder Wagg, the merchant bank.

In accordance with the agreement with the Government, the new members will establish an appeals committee to deal with membership issues and will also sit on the stock exchange's disciplinary appeals committee.

EUROPE

Continued from Page 17

Total bond and note issues for the week of this year are estimated at SwFr 30,600m, compared with SwFr 27,690m in 1982.

Credit Suisse said that international organisations and borrowers from industrialised countries took the majority, with Japanese borrowers particularly active.

Amsterdam ended mixed in very quiet

More lay members will be recruited next year. Mr Norman Tehbit, Minister of Trade and Industry, said last month that a quarter of the council's 46 members would be drawn from outside the market.

Richard Lambert adds: The stock exchange council took on a big task when it promised to announce the appointment of its first five lay members by the end of this year - and it is one which appears to have been completed successfully.

The five individuals named yesterday are prominent and active representatives of industry, banking, the legal profession and the investment management business.

The council - and the governor of the Bank of England - must have exerted a great deal of pressure to persuade people of such calibre to do what on the face of it will be a rather thankless job.

They will have to devote a fair amount of time to their task - the Bank of England at one stage was suggesting one or two days a fortnight - and although apparently they will be paid for their efforts, it seems unlikely to be on a scale to compensate properly for their time.

However, Sir Nicholas Goodison, the stock exchange chairman, was determined from the start that the appointments would not be handed out to retired generals and other representatives of the great and the good.

The commitment to appoint lay members formed a key part of this summer's agreement with the Government under which the stock exchange was removed from the Restrictive Trade Practices Court.

The idea of the appointments is to make the stock exchange more accountable to the community as a whole, and as such it is vital that they should go to prominent and active individuals with an interest in an efficient securities market.

Under the deal with the Government, lay members will make up no more than 25 per cent of the council, which currently numbers 46 members. Ideally the total numbers would be reduced. But the council says it is essential to maintain representation from its units outside London.

Since some lay members may not be able to attend regular meetings, the workload on its professional members could increase to unacceptable levels unless the management of the exchange is reformed altogether.

So it is unlikely that the overall numbers will be reduced for the time being, which means that more lay members will have to be appointed at some stage.

Lay members will normally serve for three years, like regular council members. They will be full members of the council and will be eligible to serve on any of its committees, but their main job will be to serve on the membership appeals committee and the disciplinary appeals committee.

The first of these will initially consist entirely of lay members. It will have the job of reviewing and, if necessary, overruling decisions by the council to reject an applicant for membership which fulfils the requirements of the rules. This is likely to be a very delicate task during a period when all sorts of outside institutions - including foreign investment banks and domestic merchant banks - are expressing an interest in London securities trading.

The disciplinary appeals committee will have a majority of lay members, and will respond to appeals against penalties imposed by the disciplinary committee.

The lay members also have a more general role. In the words of Mr Hull: "Our job must be to induce in the outside world the idea that the stock exchange is not just a club whose members are running their own show. I don't want to move fast - I'd only agree to change when change became inevitable. But great changes are afoot."

Prof Jack echoed this view. "We must avoid the idea that the stock exchange is a magic circle," he said last night.

If there is a criticism of this group, it is that it consists of establishment representatives of blue chip institutions. Maybe the next batch of lay members will take in some small company people, and others who are less accustomed to City lunchrooms. Then perhaps Throgmorton Street could really be in for an overdue blast of fresh air.

CANADA

(Closing Prices)

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LONDON STOCK EXCHANGE

MARKET REPORT

Engineering and Food leaders push equity index to another record closing level

Account Dealing Dates
Option
First Declared Last Account
Dealing Date
Dec 12 Dec 22 Jan 2
Dec 30 Jan 12 Jan 22 Jan 30
Jan 16 Jan 26 Jan 27 Feb 6
"N" option 1 deals may take
place from 5.30 am to 11.30 am
on the day.

Quietly firm conditions prevailed in London Stock markets yesterday with leading equities again attaining new peaks despite a further sharp contraction in business volume.

Government securities also made further modest progress helped by sterling's steady tendency against the dollar.

Still drawing strength from the CBI's encouraging forecast that the UK economic recovery will accelerate during the first quarter of next year, equities were yesterday given a fresh fillip by the Chancellor's broad hint on income tax cuts in the foreseeable future. Wall Street's overnight rise also underpinned sentiment and the ensuing demand, albeit small and selective, was sufficient to take the Financial Times Industrial Ordinary share index up 7.7 to the best of the day and a new all-time peak of 789.8.

Distillers, a nervous market since last week's acute disappointment, attracted scattered buying on recovery hopes and improved 7 to 22p.

Significant movements in the building sector were few but Barnard and Hallamshire encountered revived demand and rose 10 to 13p, after 14p. On the other hand, McCarron & Stone fell 10 to 33p and the new all-time high of 53p was lost.

Profits-taking in the wake of the excellent interim results left the index constituents, the latter being stimulated by a broker's circular.

Cadbury Schweppes and Tate & Lyle also made good headway.

Royal Bank up

As 20 of the recent past, the Financial sector provided an early surprise feature.

Bank of Scotland, an old takeover favourite, advanced strongly to 215p before closing 29 up on balance at 202p on the announcement that the bank had acquired a further 4.9 per cent of the group's equity at 205p per share to take its holding to 21.3 per cent.

The move revived suggestions that the bank would make a general offer for RBS despite the former's comment to the contrary yesterday.

The continuing better tone in sterling again found reflection in the gilt-edged market where quotations moved higher throughout in thin trading.

Closing improvements at the longer range led to a net 10 shorter maturities ended around 4 to 4 1/2.

The FT Government Securities Index closed 0.6 higher, making a three-day rally of 0.4 at 52.41.

Other banking issues attracted speculative attention after the Royal Bank of Scotland developments. Bank of Scotland shot up to 710p before settling a net 10 higher at 685p, while Grindlays

rose the same amount to 155p, after 186p. Merchant Banks were quiet with only Brown Shipley, 10 better at 326p, making any significant progress. The main clearers displayed fractional gains and revived speculative demand raised First National Hansell 2 1/4 to a high for the year of 70p.

Eagle Star fluctuated narrowly awaiting fresh moves in the bid situation and closed 6 down at 72p, but Insurance Brokers turned better after Minet's nine-month figures. Minet came back from a 1983 peak of 144p to end a net 3 lower at 138p, while C. E. beteln slipped 10 to 318p and Sedgwick 7 to 231p.

Dealings commenced yesterday in Palma Group, formerly Montfort (Kaituma Mills), the shares suspended in November at 26p, opened at 33p and closed at 34p. Meanwhile, Charterhouse J. Rothschild, formed by the merger of Charterhouse and RIT and Northern, opened at 40p and closed at 40p with the warrants quoted at 41p.

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FINANCIAL TIMES STOCK INDICES

	Dec. 20	Dec. 19	Dec. 18	Dec. 17	Dec. 16	Dec. 15	Dec. 14	Dec. 13	Dec. 12	Dec. 11	Dec. 10	Dec. 9	Dec. 8	Dec. 7	Dec. 6	Dec. 5	Dec. 4	Dec. 3	Dec. 2	Dec. 1	Nov. 30	Nov. 29	Nov. 28	Nov. 27	Nov. 26	Nov. 25	Nov. 24	Nov. 23	Nov. 22	Nov. 21	Nov. 20	Nov. 19	Nov. 18	Nov. 17	Nov. 16	Nov. 15	Nov. 14	Nov. 13	Nov. 12	Nov. 11	Nov. 10	Nov. 9	Nov. 8	Nov. 7	Nov. 6	Nov. 5	Nov. 4	Nov. 3	Nov. 2	Nov. 1	Oct. 31	Oct. 30	Oct. 29	Oct. 28	Oct. 27	Oct. 26	Oct. 25	Oct. 24	Oct. 23	Oct. 22	Oct. 21	Oct. 20	Oct. 19	Oct. 18	Oct. 17	Oct. 16	Oct. 15	Oct. 14	Oct. 13	Oct. 12	Oct. 11	Oct. 10	Oct. 9	Oct. 8	Oct. 7	Oct. 6	Oct. 5	Oct. 4	Oct. 3	Oct. 2	Oct. 1	Sept. 30	Sept. 29	Sept. 28	Sept. 27	Sept. 26	Sept. 25	Sept. 24	Sept. 23	Sept. 22	Sept. 21	Sept. 20	Sept. 19	Sept. 18	Sept. 17	Sept. 16	Sept. 15	Sept. 14	Sept. 13	Sept. 12	Sept. 11	Sept. 10	Sept. 9	Sept. 8	Sept. 7	Sept. 6	Sept. 5	Sept. 4	Sept. 3	Sept. 2	Sept. 1	Aug. 31	Aug. 30	Aug. 29	Aug. 28	Aug. 27	Aug. 26	Aug. 25	Aug. 24	Aug. 23	Aug. 22	Aug. 21	Aug. 20	Aug. 19	Aug. 18	Aug. 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31	July 30	July 29	July 28	July 27	July 26	July 25	July 24	July 23	July 22	July 21	July 20	July 19	July 18	July 17	July 16	July 15	July 14	July 13	July 12	July
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[illegible]

ET UNIT TRUST INFORMATION SERVICE

[illegible][illegible]

5	6	7	8
Mgd Acc	£10,2188	10.7297	+ 0.0272
Seig Fd	£10,3822	---	+ 0.0004
Seig Acc	£10,3422	---	+ 0.0008
U.S. 5 Fd	£20,7854	---	+ 0.0052
U.S. 5 Agr	£20,3544	---	---
French Franc	FFr180,325	---	+ 0.05
Dutch Guilder	DF151,155	---	+ 0.003
Italian Lire	L38,898	---	+ 14.9
Yen	Y6300,11	---	+ 1.07
Sinon	---	---	---

[illegible]

Category	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411</
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Account	Balance	Interest	Dividend	Total
Spratfin Fd	158.7	145.9		
Heritage Fd	157.5	144.7		
Sav Fd	156.9	143.9		
DBS Mngd	136.3	143.4		
Moneywise Friendly Society				
60 Holdenhurst Rd. Bournemouth				
0202 295678				
Moneywise Int	49.5	52.7		

Capital Int. Rates available on request.	Pena Dep 163.4	172.6	181.1	—
Guar Int. 5d 100 \$ 202.2	----	----	----	----
GlobalEqOn \$8.1	01.5	----	----	----

For prices of Capital Units and Guarantees, Basic Rates please phone 0703 334411.

priority-free premiums in some cases earlier availability may be possible at an interest cost.

1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 2679, 26

Insurance—cont.	Property Growth Assur. Co. Ltd.	Standard Life Assurance Company	Barclays Unicorn International
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COMMODITIES AND AGRICULTURE

Higher coffee export quotas

BY RICHARD MOONEY

EXPORT QUOTAS under the International Coffee Agreement have been increased by 1m bags to 57.2m for 1983/84 as a result of the recent rise in world prices.

Although prices have fallen back this week the 15-day moving average has reached the 140 cents in the upper limit of the agreement's target range. A further 1m bags (60 kilos each) of quotas will be released if the average remains above 140 cents after 15 trading days.

A rise to 145 cents would trigger release of another 1m bags with the final 1m to be released under the price remaining above 145 cents after a further 15 trading days.

However, the average price falls below 130 cents the 1m tonnes quota increase will be withdrawn and below 120 cents quota cuts are imposed under arrangements mirroring those for increases above 140 cents.

This week's quota increase

will be shared among ICO exporting members in proportion to their basic quotas.

On the London futures market, meanwhile, prices continued to fall.

The March position ended the day 58.50 down at £1,969 a tonne, taking the decline on the week so far to £1,510 a tonne. Dealers said the ICO announcement had been anticipated and had no market impact.

They said the mood of the market appeared to have changed with traders selling into rallies rather than buying into dips.

Chartered and stop-loss selling also kept the cocoa futures market under pressure and the decline which began on Monday afternoon was extended.

The March position finished 28.50 down on the day at £1,858.40 a tonne.

Dealers attributed the downturn to profit-taking following the recent rise in five-year Treasury bills.

They said the market had become over-bought in the process.

Sales of potatoes recover sharply

By John Edwards

CONSUMPTION of potatoes in the UK recovered strongly in November, in spite of higher prices, according to the Potato Marketing Board.

A report issued by the board yesterday said that a household survey conducted by Attwood Statistics showed that sales of potatoes last month recovered in levels only 1 per cent below the high consumption achieved in November 1982 and this was confirmed by estimates of the movement of potatoes off farms.

Demand for potatoes fell sharply in August and September because of the warm weather, and October sales were also well down.

The report gave a short-lived boost to London futures prices, but the market then resumed its recent downturn and the April position closed £2.50 lower at £177.50 a tonne. The market has lost around £20 in the past week.

Earlier prices in the physical market at time when values usually move up before Christmas has encouraged both trade and speculative selling.

HOME-GROWN apples and pears are 50 per cent dearer than they were at this time last year, reflecting a shortage of supply. The Apple and Pear Development Council said yesterday. At 300,000 tonnes the UK harvest was down almost 40,000 tonnes.

NO SIDES were received for the December 1983 contract for intervention bread-making wheat offered for animal feed at yesterday's tender.

The EEC commission has authorised the sale of 150,000 tonnes of bread-making wheat from intervention stocks for animal feed but because of the false rate of the Green Pound the price is higher than the going market rate.

China plans to expand dairy production

Mary Cherry looks at an aid programme to boost milk output

ject known as "Operation Flood."

Dried skim milk and butter oil from the World Food Programme are recommended and mixed with locally-produced fresh milk to double the quantity available for consumers. This blend is sold and since it is given to China as food aid, funds are generated to improve local production and provide much-needed facilities for collecting, processing and distribution.

India found the industrial side of the development went ahead impressively and continues to do so, but progress in raising production and improving the health of producers has been disappointing.

The Chinese will benefit from the Indian lesson, and their very different social structure. The intention, set down in the contract between the government and WFP, is that the recombined milk made from the food aid commodities will reach a peak in the second year

(1985) and then be phased out as local milk supplies increase.

In the past year, in preparation for the 1984 start of the project, the Chinese authorities have been setting up the management structure in the six cities and upgrading and expanding facilities for handling and processing. A start has also been made in increasing local milk production.

Such expansion of dairy plant would tend to suggest export possibilities for overseas manufacturers. But China, in line with its overall policy of striving for self-sufficiency, is using Chinese-manufactured equipment if at all possible.

There are exceptions, however. At a main dairy plant in Beijing vacuum bottle sealing equipment from the UK has been ordered and the blenders to be used are from France.

Would-be exporters of breeding cattle and omelette to China encounter the obstacles of a similar philosophy, not least because of the procedures for ensuring high health standards.

EEC closes seasoning loophole

BY JOHN CHERRINGTON

THE EEC has stepped in to close a loophole under which British sheepmeat exporters were avoiding clewback regulations by seasoning their meat with rosemary.

Exports of sheep meat to other EEC countries could now be reduced under regulations which came into effect this week. The exports exploited a loophole in regulations which said that meat classified as "seasoned" avoided the clewback - equivalent to the variable premium the sheep meat had earned.

British sheepmeat producers selling their meat to other EEC countries receive a deficiency payment or premium equivalent to the difference between the market price and the guaranteed price. This premium is "clewback" by the EEC when the meat is exported to other EEC countries.

The UK Customs and Excise determine and collect the clewback. Some exporters had persuaded the department that the meat was not seasoned with rosemary, so no clewback - worth 60-80p a kilo - was collected.

Other exporters jumped on the bandwagon. Some of them apparently talked too much and this alerted the sheep management committee in Brussels.

To avoid the clewback in future, seasoned sheepmeat must be recognisable to the naked eye or by taste. The seasoning must be permanent and easily removed. Some of the seasoning used had lasted only as long as it took the load of meat to cross the Channel.

The prospect of this new regulation was probably the cause of a significant drop in sheep.

Another move which could affect farmers' confidence has been the warning from the Intervention Board for Agricultural Produce that deficiency payments from Brussels for such items as beef and sheep meat could be delayed into next year.

Healthy image for cheese

A POLL shows that cheese is seen by shoppers as the healthiest of all dairy products, ahead of eggs, milk, margarine and butter.

A series of studies on dairy products commissioned by Dairy Crest, shows that only fresh fruit and vegetables are ahead of cheese in the health league.

Of 700 people interviewed, more than two-thirds saw cheese as a major contributor to a balanced diet. Very few thought it was fattening, while the majority thought it was high in protein and low in cholesterol.

Slimmers, in particular, are now eating more cheese than ever before, it found.

Malaysian palm oil reaches new high

KUALA LUMPUR—Malaysian crude palm oil was traded at a record high price of 1,800 ringgit a tonne for current month, dealers said.

The average price of about 1,800 ringgit a tonne in the beginning of this month rose sharply to an average of 1,880 ringgit last week.

Dealers attributed the surge in the price to tight supply of crude palm oil due to heavy monsoon floods in northeast Malaysia earlier this month, which interrupted harvesting and transportation of oil palm fruit.

The crude palm oil market will continue to be tight in the next few weeks until the supply situation normalises, the dealers predicted.

Some dealers felt the current price was overdone as it had risen too steeply and needed market correction.

Malaysian crude palm oil (CPO) production for 1983 is expected to decline to about 3m tonnes from 3.3m in 1982.

Industry sources say oil export supply to be tight and the CPO physical and futures markets to be bullish until the middle of next year.

Tight supply this year was mainly due to substantially lower production by palm smallholders, who contributed about 40 per cent to Malaysia's total CPO output.

The smallholders did not use fertilisers on palms between mid-1982 and mid-1983.

Bad weather, especially a drought early this year, also contributed to the lower output. An increase of 900,000 tonnes in projected world oilseed production to 163.6m tonnes for 1983/84 would still leave output 9 per cent below last season's level, the U.S. Agriculture Department said.

More zinc increases

BY JOHN EDWARDS

SEVERAL OTHER inc producers yesterday followed the rise in the European zinc producer price from \$950 to \$980 a tonne initiated by Billington on Monday. Cominco and Noranda of Canada, and Outokumpu of Finland quickly moved up to \$980 and it now seems inevitable that other companies will follow suit.

There was little reaction on the LME zinc market, although some buying interest came in during the afternoon.

Equally, there was not much response in the lead market to news that both Amx and

Noranda had decided to cut their U.S. selling prices to 24 cents a lb, confirming the earlier reduction by Asarco.

However, Asarco lifted its domestic selling price for copper by 1 cent to 67 cents a lb, reflecting the more stable trend in the market after last week's decline.

On the London Metal Exchange, higher grade cash copper closed 8p up at £978.5 a tonne. Aluminium also gained ground. The cash price closed £5.85 higher following the firm trend in copper and gold.

PRICE CHANGES

In tonnes unless stated otherwise	Dec. 20 1983	+ or -	Month ago
Motals	£1050	—	—
Free Mid. 1983	£1050	—	—
Copper	£1050	—	—
Cash 1983	£1050	—	—
3 mths	£1050	—	—
Cash Cathode	£1050	—	—
3 mths	£1050	—	—
Gold Troy	£1050	—	—
3 mths	£1050	—	—
Lead Cash	£1050	—	—
3 mths	£1050	—	—
Nickel	£1050	—	—
Free Mid. 1983	£1050	—	—
Palladium	£1050	—	—
3 mths	£1050	—	—
Silver	£1050	—	—
3 mths	£1050	—	—
Tin cash	£1050	—	—
3 mths	£1050	—	—
Tungsten	£1050	—	—
Wolfrum 22.01/1983	£1050	—	—
3 mths	£1050	—	—
Producers	£1050	—	—

BRITISH COMMODITY PRICES

In tonnes unless stated otherwise	Dec. 20 1983	+ or -	Month ago
Oilseeds (Palm)	£1050	—	—
Free Mid. 1983	£1050	—	—
Cash 1983	£1050	—	—
3 mths	£1050	—	—
Cash Cathode	£1050	—	—
3 mths	£1050	—	—
Gold Troy	£1050	—	—
3 mths	£1050	—	—
Lead Cash	£1050	—	—
3 mths	£1050	—	—
Nickel	£1050	—	—
Free Mid. 1983	£1050	—	—
Palladium	£1050	—	—
3 mths	£1050	—	—
Silver	£1050	—	—
3 mths	£1050	—	—
Tin cash	£1050	—	—
3 mths	£1050	—	—
Tungsten	£1050	—	—
Wolfrum 22.01/1983	£1050	—	—
3 mths	£1050	—	—
Producers	£1050	—	—

BASE METALS

In tonnes unless stated otherwise	Dec. 20 1983	+ or -	Month ago
Oilseeds (Palm)	£1050	—	—
Free Mid. 1983	£1050	—	—
Cash 1983	£1050	—	—
3 mths	£1050	—	—
Cash Cathode	£1050	—	—
3 mths	£1050	—	—
Gold Troy	£1050	—	—
3 mths	£1050	—	—
Lead Cash	£1050	—	—
3 mths	£1050	—	—
Nickel	£1050	—	—
Free Mid. 1983	£1050	—	—
Palladium	£1050	—	—
3 mths	£1050	—	—
Silver	£1050	—	—
3 mths	£1050	—	—
Tin cash	£1050	—	—
3 mths	£1050	—	—
Tungsten	£1050	—	—
Wolfrum 22.01/1983	£1050	—	—
3 mths	£1050	—	—
Producers	£1050	—	—

SILVER

In tonnes unless stated otherwise	Dec. 20 1983	+ or -	Month ago
Oilseeds (Palm)	£1050	—	—
Free Mid. 1983	£1050	—	—
Cash 1983	£1050	—	—
3 mths	£1050	—	—
Cash Cathode	£1050	—	—
3 mths	£1050	—	—
Gold Troy	£1050	—	—
3 mths	£1050	—	—
Lead Cash	£1050	—	—
3 mths	£1050	—	—
Nickel	£1050	—	—
Free Mid. 1983	£1050	—	—
Palladium	£1050	—	—
3 mths	£1050	—	—
Silver	£1050	—	—
3 mths	£1050	—	—
Tin cash	£1050	—	—
3 mths	£1050	—	—
Tungsten	£1050	—	—
Wolfrum 22.01/1983	£1050	—	—
3 mths	£1050	—	—
Producers	£1050	—	—

COFFEE

In tonnes unless stated otherwise	Dec. 20 1983	+ or -	Month ago
Oilseeds (Palm)	£1050	—	—
Free Mid. 1983	£1050	—	—
Cash 1983	£1050	—	—
3 mths	£1050	—	—
Cash Cathode	£1050	—	—
3 mths	£1050	—	—
Gold Troy	£1050	—	—
3 mths	£1050	—	—
Lead Cash	£1050	—	—
3 mths	£1050	—	—
Nickel	£1050	—	—
Free Mid. 1983	£1050	—	—
Palladium	£1050	—	—
3 mths	£1050	—	—
Silver	£1050	—	—
3 mths	£1050	—	—
Tin cash	£1050	—	—
3 mths	£1050	—	—
Tungsten	£1050	—	—
Wolfrum 22.01/1983	£1050	—	—
3 mths	£1050	—	—
Producers	£1050	—	—

GRAINS

In tonnes unless stated otherwise	Dec. 20 1983	+ or -	Month ago
Oilseeds (Palm)	£1050	—	—
Free Mid. 1983	£1050	—	—
Cash 1983	£1050	—	—
3 mths	£1050	—	—
Cash Cathode	£1050	—	—
3 mths	£1050	—	—
Gold Troy	£1050	—	—
3 mths	£1050	—	—
Lead Cash	£1050	—	—
3 mths	£1050	—	—
Nickel	£1050	—	—
Free Mid. 1983	£1050	—	—
Palladium	£1050	—	—
3 mths	£1050	—	—
Silver	£1050	—	—
3 mths	£1050	—	—
Tin cash	£1050	—	—
3 mths	£1050	—	—
Tungsten	£1050	—	—
Wolfrum 22.01/1983	£1050	—	—
3 mths	£1050	—	—
Producers	£1050	—	—

AMERICAN MARKETS

In tonnes unless stated otherwise	Dec. 20 1983	+ or -	Month ago
Oilseeds (Palm)	£1050	—	—
Free Mid. 1983	£1050	—	—
Cash 1983	£1050	—	—
3 mths	£1050	—	—
Cash Cathode	£1050	—	—
3 mths	£1050	—	—
Gold Troy	£1050	—	—
3 mths	£1050	—	—
Lead Cash	£1050	—	—
3 mths	£1050	—	—
Nickel	£1050	—	—
Free Mid. 1983	£1050	—	—
Palladium	£1050	—	—
3 mths	£1050	—	—
Silver	£1050	—	—
3 mths	£1050	—	—
Tin cash	£1050	—	—
3 mths	£1050	—	—
Tungsten	£1050	—	—
Wolfrum 22.01/1983	£1050	—	—
3 mths	£1050	—	—
Producers	£1050	—	—

LONDON OIL

Gas oil opened about \$1.00 higher and continued to firm in anticipation of a steady New York market. The market remained steady throughout the afternoon and closed firm in good volume.

Crude oil also steadied, reports Premier Man.

SPOT PRICES

Crude Oil—FOB (per barrel)	Latest	Change	Month ago
Arabian Light	£1050	—	—
Iranian Light	£1050	—	—
Arab Heavy	£1050	—	—
North Sea (Forties)	£1050	—	—
North Sea (Brent)	£1050	—	—
Arabian Heavy	£1050	—	—
Producers	£1050	—	—

CRUDE OIL FUTURES

Month	Yesterday's close	+ or -	Business Done
Jan	£1050	—	—
Feb	£1050	—	—
Mar	£1050	—	—
Apr	£1050	—	—
May	£1050	—	—
Jun	£1050	—	—
Jul	£1050	—	—
Aug	£1050	—	—
Sep	£1050	—	—
Oct	£1050	—	—
Nov	£1050	—	—
Dec	£1050	—	—

GAS OIL FUTURES

Higher Grade: Three months £1,005.5, 1,005, 1,005.5, 1,005.5, 1,005.6. Turnover: 31,100 tonnes.

TIN

TIN	a.m. Official	+ or - —	p.m. Unofficial	+ or - —
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CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar eases in low volume

The dollar finished on a weaker note in currency markets yesterday. Business volume continued to shrink ahead of the Christmas break, and most people remaining on the sidelines and confining market participation to the bare minimum. The extent of the dollar's weakness reflected the lack of volume and factors behind the dollar's recent rise to record levels remained unchanged. There seems little likelihood of any fall in U.S. interest rates before the end of the year, which the passing of seasonal distortions will allow some re-assessment of future trends.

As trading volume winds down so central banks have not found it necessary to participate actively in influencing cross rates.

The dollar closed at DM 2.7700 against the D-mark down from DM 2.7730 with the day's trading confined to a narrow range. Against the Swiss franc it eased to Sfr 2.2050 from Sfr 2.2120 and FF 4.4475 compared with FF 4.4575. The dollar's weakness showed some recovery as confidence returned after the set back for the ruling Liberal Democratic Party in last week's general election. The dollar fell to Y234.10 from Y234.15. On Bank of England figures, the

dollar's index slipped to 130.8 from 131.2.

STERLING — Trading range against the dollar in 1983 is 1.6245 to 1.6140. November sterling futures 1.6775. The pound index 81.9 against 82.0 at noon and 81.9 at the opening and compared with 82.1 on Monday and 82.0 on Tuesday. Sterling was little weaker overall. It was virtually unchanged against the dollar but the latter's weakness against European currencies tended to pull down the pound's value against these currencies. It closed at DM 2.7700 against the D-mark, down from DM 2.7730 and Sfr 2.2050 from Sfr 2.2120 and FF 4.4475 compared with FF 4.4575. The dollar's weakness showed some recovery as confidence returned after the set back for the ruling Liberal Democratic Party in last week's general election. The dollar fell to Y234.10 from Y234.15. On Bank of England figures, the

EMS EUROPEAN CURRENCY UNIT RATES

Country	Unit	Rate	% change
Belgium	Franc	44.5000	+0.24
France	Franc	44.5000	+0.24
Germany	Mark	1.6245	+0.10
Italy	Lira	1,936.26	+0.10
Netherlands	Guilder	2.3636	+0.10
Portugal	Escudo	200.48	+0.10
Spain	Peseta	166.37	+0.10
Switzerland	Franc	2.2050	+0.10
United Kingdom	Pound	1.6245	+0.10
Denmark	Krone	13.66	+0.10
Finland	Markka	5.94	+0.10
Greece	Drachma	340.75	+0.10
Ireland	Punt	7.88	+0.10
Japan	Yen	234.10	+0.10
Norway	Krone	136.46	+0.10
Sweden	Krona	10.36	+0.10
West Germany	Mark	1.6245	+0.10
Austria	Schilling	13.76	+0.10
Belgium	Franc	44.5000	+0.24
France	Franc	44.5000	+0.24
Germany	Mark	1.6245	+0.10
Italy	Lira	1,936.26	+0.10
Netherlands	Guilder	2.3636	+0.10
Portugal	Escudo	200.48	+0.10
Spain	Peseta	166.37	+0.10
Switzerland	Franc	2.2050	+0.10
United Kingdom	Pound	1.6245	+0.10
Denmark	Krone	13.66	+0.10
Finland	Markka	5.94	+0.10
Greece	Drachma	340.75	+0.10
Ireland	Punt	7.88	+0.10
Japan	Yen	234.10	+0.10
Norway	Krone	136.46	+0.10
Sweden	Krona	10.36	+0.10
West Germany	Mark	1.6245	+0.10
Austria	Schilling	13.76	+0.10

Change in % for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

Quiet trading

Trading was very quiet, ahead of the Christmas holiday, on the London International Financial Futures Exchange yesterday. A late rally in U.S. markets on Monday led to a firmer opening for interest rate contracts in London, but market activity was at a very low level, with the volume in March plus falling below the 1,000 level. The March contract opened and closed at 108.00, compared with 108.01 previous day's closing. The narrow range of 108.00 to 108.01.

Three-month sterling deposit futures were also quiet, but gained some support from a slight easing of interest rates on the London money market, and the better performance of sterling against the dollar on the foreign exchange market. March delivery sterling deposits opened at 90.24, close to the day's low of 90.23, and touched a peak of 90.30, before closing at 90.28.

The lira lost ground at the Milan. The dollar rose to L.1,936.26 from L.1,935.50, with the Bank of Italy selling \$75m of the L.1,936.26 officially traded at the fixing. The central bank did not intervene, however, when the D-mark rose to L.1,936.26 from L.1,935.50. The French franc improved to L.198.89 from L.198.72, the Swiss franc to L.198.89 from L.198.72, the Japanese yen to L.171.16 from L.171.11, and sterling to L.130.80 from L.130.80.

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EC-JAPAN SYMPOSIUM

TOWARDS FURTHER DEVELOPMENT OF EC-JAPAN ECONOMIC RELATIONS — THE ROLE OF INVESTMENT —

About 300 representatives from Government and business sector in Europe and Japan met in Tokyo on November 17th and 18th to hold the third EC-Japan Symposium.

The meeting, co-sponsored by the Commission of the European Community, the Japanese Ministry of International Trade and Industry and the Japan-EC Symposium Committee, followed the first such symposium held in Tokyo in November 1981 and continued in Brussels last January.

At the opening session of the symposium, Japanese Prime Minister Yasuhiro Nakasone and Gaston Thom, the EC Commission President, who were unable to attend the meeting, sent welcoming messages.

Prime Minister NAKASONE, after strongly emphasising the efforts Japan has made to uphold the free trade system, continued: "It is both appropriate and timely that the third EC-Japan Symposium is being held with the aim of exploring the ways and means of enhancing closer relationships between Japan and the EC by focusing discussions on investment exchange, which is expected to play an important role in the revitalisation of the economies of Japan and the member nations of the EC through technology transfers and other means. I sincerely hope that the representatives from various circles in Japan and the EC will actively engage in discussions to achieve these positive results. In concluding, I wish all of you a successful Symposium and look forward to the further development and strengthening of relations between the European Community and Japan."

EC Commission President THORN said: "Closer cooperation between the European Community and Japan is so important for the revitalisation of the world economy. But cooperation, like trade, must be a 'two-way street' and although we are certainly in favour of increased Japanese investment in Europe when it is coupled with new techniques or new employment opportunities, we must also not forget that the European presence in Japan has to be reinforced, not only in terms of more businessmen selling more products to Japan, but also, more significantly, increased industrial investment in one of the most active world markets must be actively encouraged. As in trade, we would like to see a greater balance in our investment relationship."

After two days of practical discussions, which revealed just how small where the current levels of two-way investment flow between the EC and Japan, participants generally agreed the symposium had provided valuable insights into how this situation could be rectified.

The following pages contain summaries of speeches delivered at the symposium.



The closing session of the symposium, at which special addresses were delivered by Mr. Sousuke Uno, Minister of International Trade and Industry, and Viscount Etienne Davignon, Vice-President of the Commission of the European Communities. Flanking the two speakers are Mr. Leurs Jan Brinkhorst, Head of the Delegation of the Commission of the European Communities in Japan, and Mr. Kunio Komatsu, Vice-Minister for International Affairs, Ministry of International Trade and Industry.

To the Japanese, it's a *kaidan-tansu*. To Hitachi, it's an edge.



The problem was as old as two-story houses: what to do with the wasted space under the stairs. Grafting a staircase to a chest of drawers seemed a logical solution, but actually building such a hybrid proved tricky. What effect would someone standing on the stairs have on the opening and closing of the drawers below? Only by finding an interface between two distinct fields — architecture and cabinetmaking — was it possible to create the elegant answer shown at right.

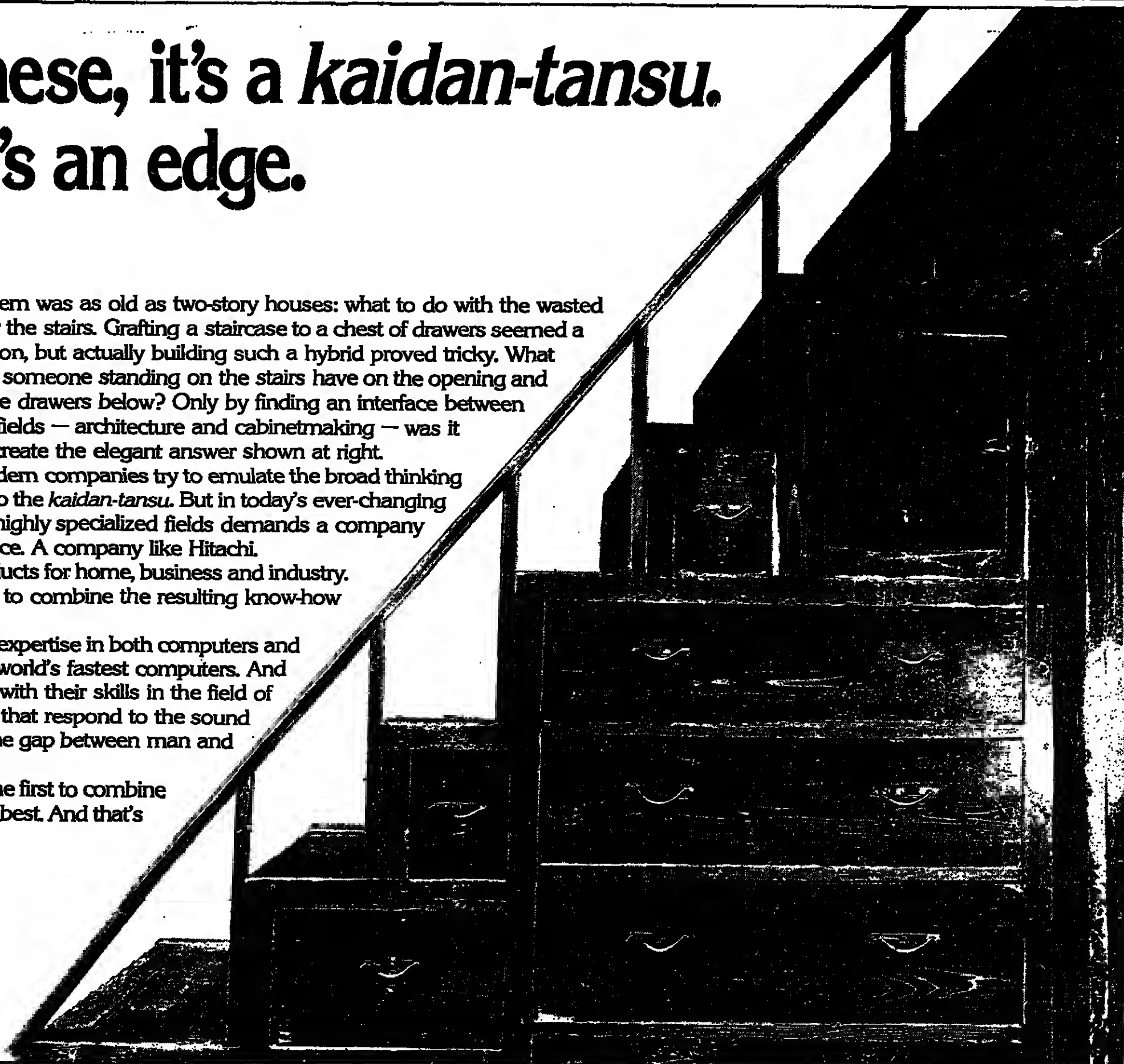
Many modern companies try to emulate the broad thinking that went into the *kaidan-tansu*. But in today's ever-changing world, staying at the forefront of several highly specialized fields demands a company with a dauntingly wide base of experience. A company like Hitachi.

Hitachi make more than 20,000 products for home, business and industry. And they're constantly looking for ways to combine the resulting know-how in ways that make your life easier.

For example, Hitachi drew upon their expertise in both computers and microelectronics to create some of the world's fastest computers. And now they're combining that technology with their skills in the field of communications to develop computers that respond to the sound of your voice. All of which helps close the gap between man and machine.

So while Hitachi may not have been the first to combine technologies, they are clearly one of the best. And that's what keeps them a step ahead.

 **HITACHI**
A World Leader in Technology



EC-JAPAN ECONOMIC RELATIONS — THE WAY FORWARD



Sousuke Uno
Minister
International Trade and Industry

Under the strong initiative of Prime Minister Nakasone, Japan has continually examined a comprehensive program of economic measures. As a result, on October 21st Japan decided on a number of practical measures for expanding domestic demand, further opening up the market, promoting imports and so on, in order to ensure economic growth led by expansion of domestic demand. In the process of studying this program, I have taken the initiative and made my own best efforts to incorporate the most effective measures possible. I hope that my efforts will be made more effective through collaboration on the part of the EC and the U.S.

In announcing these measures, Prime Minister Nakasone emphasized that if they were to become truly effective it was essential there be a combined effort between government and private sector. Furthermore, he asked the people of Japan to continue welcoming foreign goods without discrimination, as this was vital to promote imports. Personally, I don't believe Japanese people are prejudiced against foreign products. In my case, my watch is Swiss, my ballpoint pen made in West Germany and my tie in France and so on. In regard to capital goods, for a long period after the Second World War, the equipment and machinery Japanese plants most cherished was imported from Europe and America. So I am sceptical of criticism by foreigners that Japanese people have a peculiar preference for domestic products over foreign ones. As a matter of fact, in order to solve these questions I have just made a proposal to the ambassadors of the 10 Community nations suggesting we conduct a joint case study in this regard. We sincerely wish foreign enterprises to be successful in Japan. But if exports are to be expanded a study of Japan's changing demand patterns is essential.

ing demand patterns is essential.

At present, 60 percent of our population was born after the war, and the tastes and preferences of this generation are changing dramatically. I believe it is important for Community efforts to be consistent with these kind of changes. As this symposium is being held, a Japanese market access promotion mission of top businessmen from the trading companies, distribution industry and other sectors is visiting Europe. The mission was sent out of a belief that it will be of mutual benefit to Japan and Europe to cooperate in assisting European firms not familiar with the Japanese market to understand what must be done to sell their goods in Japan. While there is a tendency to be obsessed with the flow of goods alone, the flow of capital and services, including technology, is also important and will show further expansion in the future. We are witnessing the dawn of a new age ushered in by the development of practical application of high technology. During the 1970's we found ourselves in the midst of a dynamic adjustment of industrial structure on a global scale. In the process there emerged many problems which have shaken the world economy. But, at the same time technological innovation has started up in the field of electronics, materials engineering and biotechnology. Innovation in electronics and other high technology fields will have enormous direct and indirect implications not limited to innovation within the industry but affecting all aspects of economic and social lives. I do not think it is an exaggeration to say we are on the threshold of a new civilization of our own making.

The only problem is in trying to decide how to turn these possibilities into realities. But we are united in our view that promotion of industrial cooperation is extremely important for this purpose. Among the different forms of industrial cooperation, investment exchange will play an important role in strengthening Japan-EC relations. This is because investments are expected not only to expand the economic and social involvement in each other's countries, they also promise to contribute to the expansion of technological exchange and trade in goods and services. Needless to say, the nucleus of investment exchange is the private company. Enterprises are naturally expected to pursue their own interests on one manner or another. But, on observation one finds that many in fact also act out of an interest to contribute to their local communities.

According to a JETRO survey many of the Japanese enterprises in Europe have said they have a cumulative deficit. However, in spite of this, more than half of these enterprises responded that their businesses were developing and they have actual expansion plans. The local pro-

urement of these companies is as high as 60 to 90 percent. It is true that when they were first established many of them started with low rates of local supplies because of various technical and processing problems in production. However, even these firms are trying to increase their procurement ratio. For example, I have heard that some companies, including those in the electronics sector, are sending technicians to local component manufacturers to help these raise the quality of their goods in order to be able to supply with electronics companies with needed products. In this manner Japanese enterprises in Europe are deeply involved in the local communities and are contributing to the European economy. My concern is that they may be subject to disadvantageous treatment in the conduct of their business by Community countries other than those in which they are located. I would like Japanese companies in Europe to be treated as truly European firms.

In the 1960's, there were merely 12 Japanese investment projects in the production sector of the Community. That number has grown in leaps and bounds, adding 67 new projects in the 1970's and 44 since the beginning of this decade. I would like to see Japanese enterprises take active steps towards investing in the Community, while at the same time deepening their understanding of the reality of the European economy and the way we should approach future relations between Japan and the Community.

It is incumbent on us to create an environment which will augment entrepreneurial vitality (in both directions). In this respect, protective measures must be abolished, because, although they may be considered temporarily useful for the vitalization of industries, in the longer term they only delay our coping with the evolution of the times. Last February, MITI told the European Community its forecast of export of certain items to the Community. This was done in the hope it would assist the Community in its efforts to undertake strong initiatives to restore the competitiveness of its industries. I am pleased the EC summit held in June had on its agenda the revitalization of the European economy and that follow-up discussions continue. For my part, I sincerely hope practical results will accrue from these efforts.

It is the policy of Japan to welcome the increased role of investment for the purpose of promoting mutual understanding between Japan and the Community and for closer economic relations. But these relations must not be confined merely to problems of trade or limited to short term perspectives. Relations between Japan and the Community extend far beyond the areas of trade as both sides have vast responsibilities to contribute to the development of the world economy.



Viscount E. Davignon
Vice-President
The Commission of
the European Communities

Japan-EC relations have been a subject of intense debate, frequent tensions and sometimes real difficulties over the past years. During that period has loomed large the continuing and widening trade deficit of the European Community with Japan, the low level of Japanese imports from the EC and more particularly its low propensity to import manufactured goods.

Over these years, major problems between us have seemed to remain unchanged. It is true that underlying economic conditions which exacerbate all these problems have not improved. But I think there has been considerable evolution related to the way in which both sides are trying to cope with this. I think more and more we see a greater realisation on the part of Japan of efforts needed for the maintenance of a liberal world trading order, an essential economic underpinning of the West's strategic security.

Second, there is a greater awareness of the fact that no major trading country can continue to maintain large trade surpluses without seeing that this imbalance creates tensions and unleashes those forces which might lead to modification of the free trade system, which would be the worst result. There is also recognition of the consequences of concentration of exports in certain sectors which could undermine the industrial basis of trading partners and bring with it unacceptable social as well as economic distress. But it is also important to underline that as far as the EC is concerned we have modified our perceptions and corrected our sometimes too simplistic views.

We have today a much greater appreciation of the crucial importance of the need to strengthen relations with Japan. We understand today that Japan is a pillar of the entrepreneurial, pluralistic democracy and the open multilateral trading system. Secondly, we are now proceeding with a more positive attitude vis-a-vis Japan, which is less perceived as

an impenetrable market and more and more understood to be a potential partner if the conditions and modalities of mutual cooperation can be worked out.

Finally, there is a recognition that the solution of our problems lie first and foremost in our own hands. We are committed to a determined effort that our industry will return in the principle areas of growth to being as competitive and quality conscious as its major competitors in the world. We want to belong to the best and we will. This is an indispensable component of useful cooperation. This does not flourish between a strong and weak partner. We want to be a strong partner and we want to cooperate.

The more accurate perceptions on both sides together with better communications and understanding will affect future programmes. Unfortunately they do not, of course, suffice to make problems disappear. It remains a fact that our economic relations in spite of all efforts remain in many respects unsatisfactory and is far from what it could attain. And this, of course, means that we move beyond trade into investment, beyond trade into transfer of technology and mutual and reciprocal activity in science and development. As regards trade, the problem is well known and I do not need to belabour the point once again. The persistence of such a large disequilibrium in our trade balance could be an obstacle to the positive development of our overall relationship. This is why we must not divert our attention from addressing the more fundamental causes of difficulties.

In so far as investments are concerned, we are still very much at the beginning of the road, and what is striking is that the imbalance of trade is also reflected in the investment sphere. So it shows we are involved in a family of problems and it is an illusion to believe we can settle one problem without considering the others. Japanese investment in the Community is 10 times the flow in the other direction. It is also interesting to note that this Japanese investment is up to 80 percent outside the manufacturing area, so there is a relatively small contribution to the European economy in terms of growth, jobs created and transfers of technology. I think we have agreed that this should be improved in the coming years.

Of course, one can always explain the reasons for imbalances. But I wonder if we don't spend too much time trying to explain why things do not work and little time on trying to make things work properly. Is it true that there is a very high cost of entry to the Japanese market? Is it true in all areas? What can one do about it? How can one practically look for solutions which we require and proceed in this action without calling on our too accustomed defensive reflexes, instead of

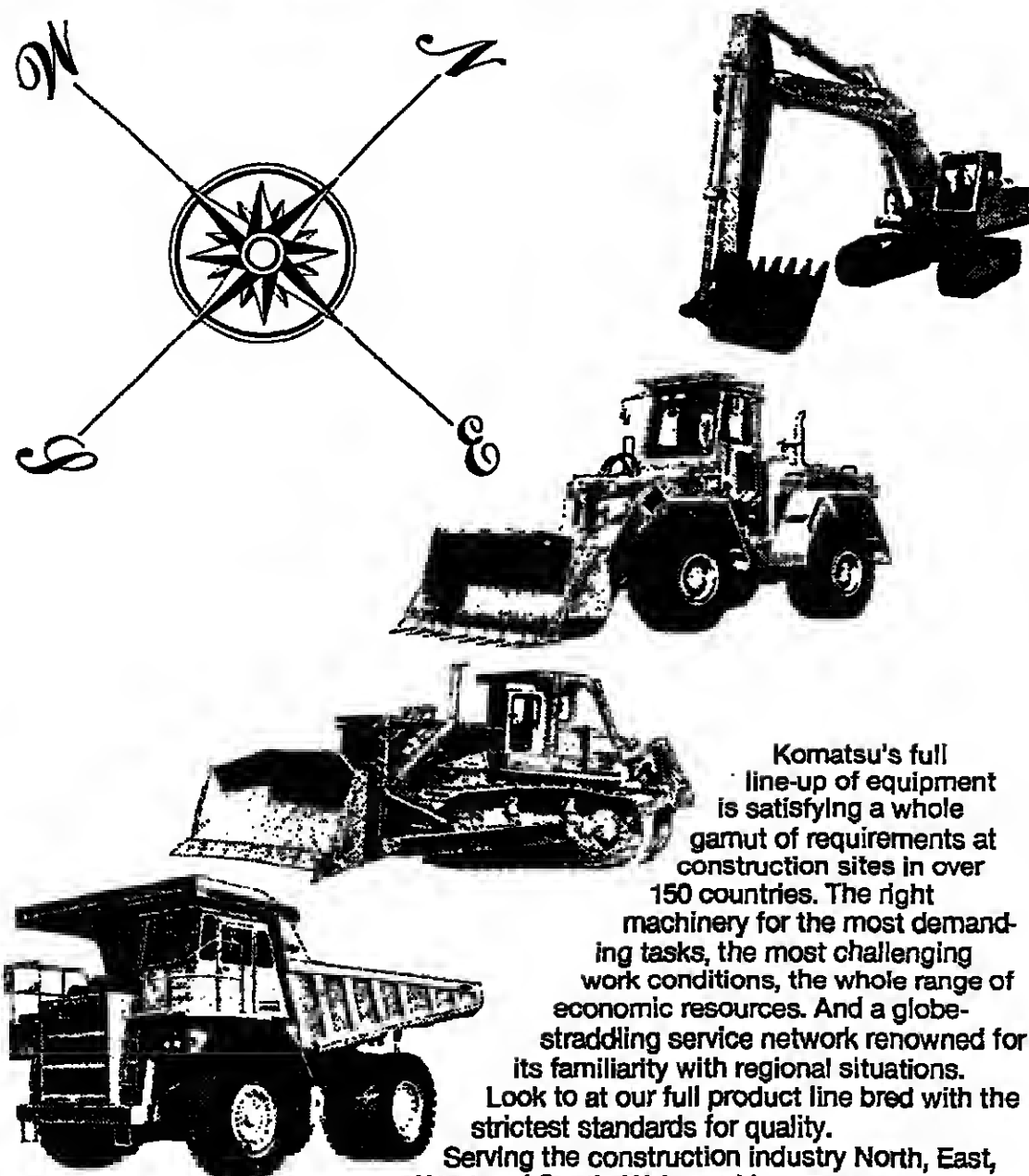
counting on our imagination and determination? We will be telling our colleagues and entrepreneurs in the Community that it is not correct that efforts to penetrate the Japanese market or to invest successfully are doomed to failure from the start or are incommensurate with the benefits to be expected. In some cases, this could be justified in the past. But I refuse to look at the future through the glasses of the past. By doing so we would be justifying our lack of entrepreneurial dynamism and risk-taking. And this would be inconsistent with our ambitions.

We will continue to tell our Japanese colleagues that sometimes we have difficulty in understanding some Japanese defensive reflexes. Japan is a success. It has overcome the challenge of the future. So, it can no longer be considered by Japanese as a vulnerable country whose only resource is the skill and hard work of its people. We would like to study why there is a preference to acquire technology through license rather than purchase of foreign technology. Why does the tendency still exist for Japanese production to be exported rather than invested in manufacturing overseas? Although we recognize that in modern activities it is essential to have at one's disposal the services to promote sales, it is important when manufacturing is involved to look at what can be produced locally instead of looking systematically to the importation of components from Japan. We believe that a change in these investment flows could act as a corrective to the trade situation and not, as is the case now, an element which worsens it. We are grateful to the activities of Japan to increase cooperation with the EC, and the first priority today is to be practical and to create the necessary climate for the development and deepening of our economic relations. Promotion of this cooperation is essential. Only by getting our industrialists to join forces can there be better understanding and development of a commonality of interests which will gradually eliminate all obstacles, whether regulatory, economic or psychological, which still hinder development of our relationship.

How can we encourage cross investment and industrial cooperation? We have just been discussing this and now have better understanding what we should try to do and how we should try and do it together. One point that strikes me is that enterprises on both sides have many resources at their disposal to assist them, but these are largely unilateral activities, whether promoting imports, exports, industrial cooperation or investment. So far we don't have joint activities with a common goal. I hope these unilateral programmes will slowly be merged together so we can manage them with greater efficiency.

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Meeting the diverse needs of construction sites at all points of the compass with a full line-up of equipment.



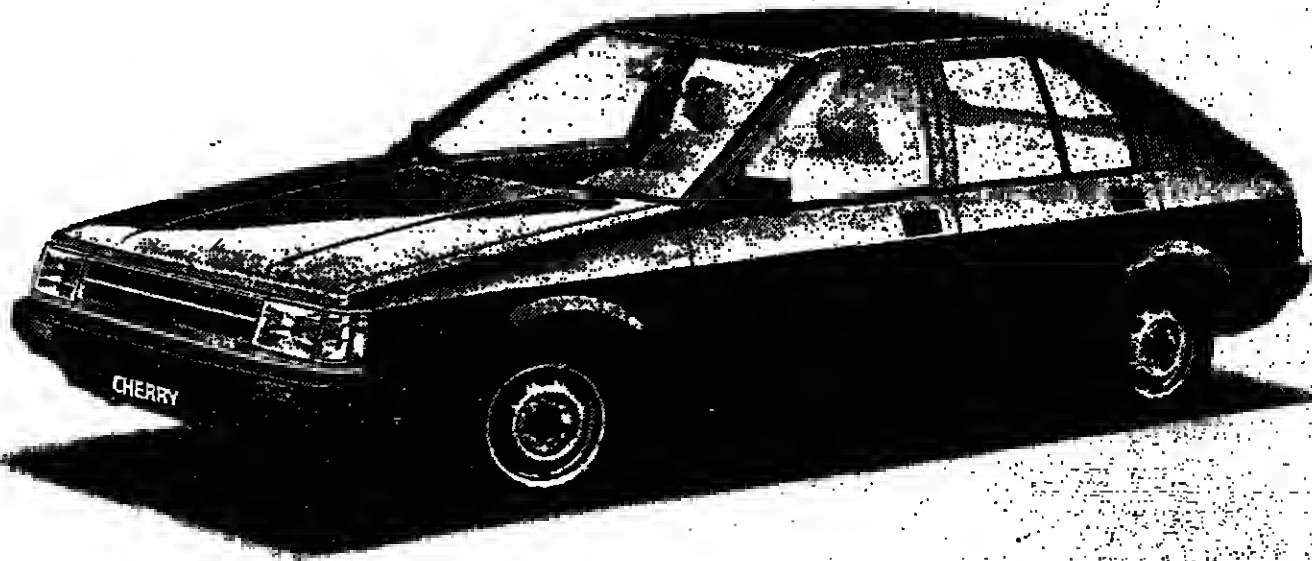
Komatsu's full line-up of equipment is satisfying a whole gamut of requirements at construction sites in over 150 countries. The right machinery for the most demanding tasks, the most challenging work conditions, the whole range of economic resources. And a globe-straddling service network renowned for its familiarity with regional situations. Look to our full product line bred with the strictest standards for quality. Serving the construction industry North, East, West and South. We're making news.

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It didn't just happen that in the last 50 years Nissan has become the third largest car manufacturer in the world.

Rather, it happened because of Nissan's determination to realize the highest quality possible in car manufacturing. By using the most modern concepts and advanced technology which set an example all over the world. By epoch-making car design, high economy and durability.

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For example the Nissan Cherry, a middle-class compact which has an important word or two to say. It's made a name for itself with its nifty handling ease and economical but peppy engine.

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THE ROLE OF CROSS INVESTMENT IN EC-JAPAN ECONOMIC RELATIONS



Tasuku Takagaki
Resident Managing Director
for Europe
General Manager, London Office
The Bank of Tokyo, Ltd.

The outstanding problem within the growing economic relationship between Japan and the EC is the imbalance in trade. It is forecast that the Japanese surplus this year with the EC will reach 12 billion dollars. With the closing of factories and growth in the number of unemployed, it is easy to point to the trade imbalance as one of the causes of the EC's economic slump. However, when one looks dispassionately at the situation, a differential in industrial competitiveness stands at the root of the problem and it will prove quite difficult to improve the trade balance without narrowing this differential. Cross investment between Japan and the EC can play an important role as a measure to redress this imbalance by probing for those industries in which the EC holds a potential comparative advantage, stimulating the revitalization of EC industry and thus erasing the differentials in industrial strength that stand at its root. The general benefits of Japanese direct investment for the EC nations are the promotion of import substitution and export oriented industry, with the transfer of technology and the widening of employment opportunity occurring in parallel. In addition to these general benefits, however, there are two others that can be anticipated.

The first is a broad based, down to earth opportunity to create a place for dialogue and understanding. Japan and the EC nations share the characteristic of being advanced, industrialized nations, but geographical distance and differences in thought cultivated through long centuries of history have created an arena in which misunderstandings and confrontation develop easily due to insufficient understanding of each other. Direct investment by corporations and the exchange of technology creates a place to work and think together. A number of Japanese corpora-

tions, particularly those in the household appliance industry, have already shown this to be true in Wales and Scotland in the United Kingdom where I live. It seems that deep human relationships are being built year by year in these places to an extent unattainable by Japanese like myself who live in a cosmopolitan metropolis such as London. The same can be said in the case of technological exchanges. For instance, in the technical tie-up between Honda and British Leyland, the personnel exchange alone is considerable with large numbers of technicians working together with a common goal over considerable periods of time. This contributes not only directly in terms of the exchange of technology, but also indirectly to the promotion of communications between Japan and the United Kingdom.

The second effect of direct investment from Japan to the EC is the strengthening of the competitiveness of EC industry. This requires the combination of a multitude of factors such as rationalization of manufacturing processes, improvement of quality control, employment of superior design and maximizing control over costs. Direct investment and technological transfer from Japan to the EC can and has made a positive impact on the EC industrial system, contributing to the actualization of the comparative advantages held by EC industry through the remoulding and creation of new perceptions. The vast majority of EC nations can point to long traditions as industrialized countries and a wealth of outstanding technologies. Many of these nations played the role of teacher in Japan's own industrialization. With the passing of history and the advance of technology, today a large number of Japanese industries hold the comparative advantage which cumulatively appears as the differential in industrial competitiveness between Japan and the EC. However, there are a variety of potential industrial and technological strengths of the EC nations that could be actualized given the right opportunity. For example, Prime Minister Thatcher frequently seeks to inspire British industry and academia by criticizing an inability of British industry to transform basic research strengths into competitive products. To some extent the cause of this lies in the inefficiency of the British manufacturing system, possibly due to the relatively low esteem of applied production technology compared to basic research and development. If improvement is made through the impact of Japanese investment and technological cooperation, then the international comparative advantage of British industry can be expected to rise. This point is important when one considers that the teamwork between basic research and applied technology will grow increasingly necessary in the future commercialization of leading edge technologies such as biotechnology,

microelectronics and space development.

These observations on the role of Japanese direct investment in the EC fundamentally apply to EC investment in Japan as well. The commercialization of the EC's superb basic research may be best undertaken within the EC or it may at times be best accomplished in Japan. Direct investment in Japan by EC-based corporations again provides a place for broad based, down to earth dialogue and cooperation. There are many lessons for us to learn from the thinking of those associated with corporations in the EC, who have been seasoned by a very complex and different history than our own. When people speak of external direct investment, they are usually thinking giant corporations. But for such investment to really expand and take hold, it must include the overseas expansion of large numbers of top class medium-sized corporations.

A JETRO survey of Japanese companies operating in the EC found they were not satisfied with local parts procurement with respect to quality, delivery and price. In order to supplement the local parts industries, these companies sought the entry of Japanese companies in electronic parts, auto parts and plastic processing. These fields, dominated by medium sized companies, can certainly be expected to play a central role in the expansion of Japanese investment activities in the EC. Direct investment in these fields would produce the synergistic effect of expanding the scale of pre-existing Japanese firms while stimulating new investments by large corporations.



Jean Peyrelevade
President
Compagnie Financière de Suez

Studying the situation of EC-Japan investment, three simple ideas emerge: Japanese investment overseas is much lower than those of comparable industrialized countries; in spite of this low level, these Japanese investments have been much more important than foreign investment in Japan to a ratio of one against 12, more than 50 billion dollars having been invested overseas by Japan since 1980, against a comparative cumulative figure of less than five billion dollars for foreign investment in Japan; among foreign investments here, European ones again have been much lower than American ones, to a ratio of one against three.

Should we be satisfied with this situation? Obviously not. But to what extent is reinforcement of flows of investment necessary? I am a European banker, but I will try to understand both parties' positions. What are the reasons for EC investment in Japan?



The opening session of the symposium, with the two special speakers, Mr. Takagaki and Mr. Peyrelevade, flanking the Co-Chairmen, Mr. Fasella and Mr. Komatsu.

The first reason, which is sufficient in itself, is that Japan is the third market in the world after the United States and Europe. The standard of living, the rate of growth of the economy justify an increase in the volume of investment, both industrial and commercial, from Europe. But I am not sure that European industry has yet fully realised the strength and speed of Japanese economic growth. However, there has been an interesting change in recent years. Investment in Japan now is not only done just by giant corporations like in the 1970's but also by medium firms. And these firms are investing not exclusively in the Tokyo-Osaka area, but also in some Northern and Southern regions of Japan, which is exactly what regional authorities try to support.

But there is a second reason which makes an investment in Japan a strategic decision. You all know that Japan is understood to be a very difficult market. I am not going to list the complaints of European firms against Japan, which are already well known. Despite the progress which has been done, some administrative difficulties still remain. The industrial and commercial habits, which are very different, are the main protection against foreign products. To the problems and obstacles, the joint venture with a Japanese partner constitutes probably the best reply. The joint investment for European companies is the best way to become familiar with very different business habits. This is precisely the method that has been followed by some French companies to adjust their products to the local market and to face very tough competition squarely. We should not, however, try and pretend to ourselves, despite these examples, that investment in Japan is not as difficult if not more as exporting products to Japan. But the corresponding effort is really fruitful if done in the proper way over a sufficient length of time.

The third reason for investing in Japan is that it allows for a fruitful exchange of technology. I wonder, however, if many people in Japan realize that Europe is an important place for research, especially fundamental research. It might be a surprise, but public spending in this field is more important in Europe than it is in Japan. I will give another example, which may be even more surprising. The balance of licenses between France and Japan shows a credit in favour of France. I am not too proud of this because I think it would probably be better for us to develop by ourselves some products that might result from a few of our discoveries. In the other way, of course, the European firms who have invested in Japan take some of the benefits from Japanese research, especially applied research. Here we come to a very important point. If you want to have a real exchange of technology, one should reach a degree of confidence and stability in the relations between partners. This is a very desirous

point in that one partner, whether European or Japanese, should not be getting a unilateral profit from the exchange.

Independently from these technological aspects, one of the major advantages of an industrial investment in Japan is the discovery by the European company involved of the characteristics of the Japanese industrial process. For example: the extreme importance of quality control, which is one of the main reasons for the success of Japanese products abroad. This learning motivation is one of the reason why, I think, IBM has built some of its plants in Japan and it is not just by chance the quality control process has been credited by the company as one of the main features of its development. Secondly, there is automation. Japan has three times more robots than the United States. Even sushi-making now uses robots, it seems. I hope that thanks to quality control the gastronomic quality is not affected to any extent. Automation is certainly a field where we have much to learn from Japan. Finally, the location of European companies in Japan can open up opportunities for new European-Japanese joint ventures in other parts of the world, mainly but not exclusively in Asia and the Middle East.

Turning now to Japanese investments in Europe: in my view they might be a reply to some of the difficulties we have had in our normal trade relations. By improving employment in Europe, Japan may to some extent mitigate some of our complaints about the excessive surplus in the trade balance. But in order to avoid any misunderstanding, this investment should comply with three conditions. If these are not observed the misunderstandings might be reinforced and not weakened. These conditions are: (1) that the investment should be as much as possible as industrial one and not only purely commercial. But unhappily, in France at least, the number of Japanese commercial investments is much higher than industrial ones. (2) This is a very tough point, but the added value from European origin should be as high as possible unless we accept the risk of having the investment appearing to be only as a way of avoiding some possible external protectionism. (3) This investment should not have as its main result the complete obliteration of important sectors of European industry. Competition, of course, is necessary, but fight and competition are not the same thing. Many Japanese investments in France and in Europe in general comply with these conditions. They give to Europeans a positive image of the Japanese investments. This image should be reinforced.

Finally, these transfers should open up opportunities for transfer of technology to Europe from Japan. Industrial cooperation and joint investments are necessary. Much has been done already, but I think we still have a lot more to do.

The seamless connection: Bank of Tokyo

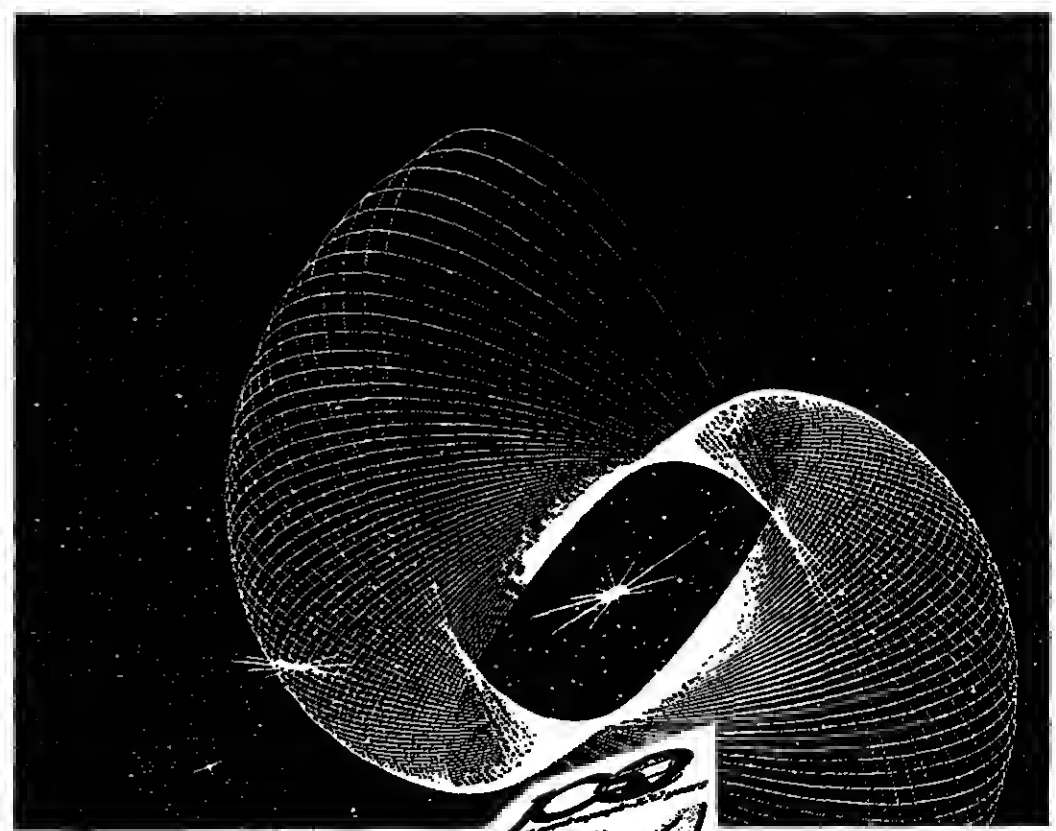


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Panel Discussion EC INVESTMENT IN JAPAN — EXPERIENCE, PROBLEMS & PROSPECTS



Gian-Carlo Mandelli
President
and General Manager
Mandelli S.p.A.

The systems of economic cooperation which were defined in the past but still valid nowadays show considerable restrictions also owing to the competition of new forms of cooperation which will become more important in the future. In the case of the machine tool, or better, that of industrial automation, it seems to me a good example of the new trend is the cooperation between Mandelli and the Japanese Amada company.

In the past the most important feature of the development of cooperation was the one-sided transfer of technology, the protagonists of this transfer being the large industries, the purpose of which was commercial penetration. The trends now emerging emphasize substantially different features, and the field of the machine tool can be considered a very interesting example. Its object is not limited and immediate but pursues a more comprehensive middle-term goal. Above all, the new forms of cooperation are becoming more and more interesting for enterprises or groups of restricted dimension which cooperate in order to overcome the difficulties of operation.

On the basis of research of the international market, Mandelli rightly considered the introduction of its products in Japan to be practically impossible owing to the distance and relevant freight costs, to customs precautions and, above all, to the vitality and force of the Japanese manufacturers. These features put both European and United States manufacturers in an awkward position, thus inducing them to adopt precautions.

In the field of numerically controlled machining centres, more than 6,000 machines annually are produced in Japan, compared to 600 in Italy. The Mandelli Group has 600 employees, Amada 6,000.

Why, then, did Amada take an interest in Mandelli. The Amada Group, already known for its production of metalworking machines and lathes, was looking for a partner enabling it to acquire a higher level of technology than normally expressed in the Japanese production of machining centres. Mandelli's strength was its emphasis on research into the maximum integration between mechanics, microelectronics and software technologies. This proved attractive to Amada, while the agreement gave Mandelli the possibility of penetrating a market with enormous potential with the support of a highly qualified local partner. This penetration has proved absolutely necessary in order to amortize the investment in research and development, which exceeded six percent of turnover and 20 percent of the employees.

Mandelli machines have now been in Japan a year. They have been supplied directly from Italy in the first stage awaiting the start of production at Amada. This relationship of mutual and long lasting cooperation is destined to mark an important stage in the field of machine tools. Through the agreement with Amada, we have access to other Asian markets, and also can use Amada's own distribution network in the United States. Nowadays, Japanese and Italian engineers work side by side, while commercial experts study together a more and more difficult international scenery. By joining our own strong points to those of Amada, we can say that Mandelli works in Japan with the cooperation of the Japanese.



Toyotaro Isobe
Senior Managing Director
Toyobo Co., Ltd.

I would like to call your attention to some fundamental viewpoints which are often overlooked in the practice of the



joint venture business, based on my experience in setting up and managing a joint venture between Toyobo and the Rhone-Poulenc Group of France. And one of the most important of these is the ecological viewpoint. Generally speaking, the basic economic condition is changing from high growth to stagnation. Differences among countries and corporations have been growing wider and wider in the basic framework. In order to cope with such drastic changes in the economic environment effectively, it is necessary for nations to convert their industrial structure and for various associations to reorganise themselves. Furthermore, it is necessary for corporations to improve their constitutions and diversify their resources under a slogan of "survival." At the same time, it is important to learn not how to cope with the environment but to adapt to it. In order to enable us to switch from coping to adapting, it is important that we introduce ecological viewpoints into our business. Ecology, the science of the adaptation of animals and plants to the environment, is the key to converting friction into a friendly relationship.

Animals and plants live in groups, the minimum classification unit being "species." For the purpose of conserving species, animals and plants generate their descendants through either a sexual or nonsexual method. The former involves the combination of male and female generative cells, while the latter method involves the separation of a part or special cell from the parent body. The descendants usually have the common features of the species, but they are not quite the same in all details. This latter aspect is known as plasticity. When changes occur in the environment, this plasticity plays a role in the adaptation of the species to ensure its survival. Compared with the nonsexual method, sexual reproduction has more potential to maintain the plasticity of each generation in a much more systematic way. The combination of male and female genes has much greater possibility of generating excellent descendants. This is especially important in the process of natural selection that occurs under drastic changes in the environment. This simile can be readily extended to the business world.

In the case of business corporations the same two basic options are available. They can adopt the non-sexual method, through efficient self-increasing, or they can opt for the joint venture, which is akin to the sexual method. The joint venture may be less efficient and more troublesome, but it has the greater long-term potential to produce better offspring. Of course, the power of their resources — the genes — and the elements of the environment — technological innovation, market and competition etc — have to be closely studied before deciding which are the best parents for the job. Toyobo and Rhone-Poulenc chose this method. It is too early

to report on the details, but we certainly planned very carefully the hereditary design in the hopes of producing an excellent baby.



Wierd J. Minzinga
President
Shell Kisan K.K.

I think European business investment in Japan is of fundamental significance for the development of commercial trade relations between Japan and Europe. This is not only because of and not even primarily because of the return on invest-

ment to shareholders of such enterprises, but perhaps more importantly because the presence of European business here does help to create all kinds of links and relations between Europe and Japan which would be very difficult to develop otherwise.

I think the fact we stem from Europe makes us more at home with the supply sources and possibilities from there and gives us a natural tendency to look for these supply sources, which should not be underrated as an element in the relations between Japan and Europe. Our presence here also helps us to recognise which partners can be associated with our business and provides us with a much better understanding of each other's strengths and weaknesses than would be the case if such joint ventures had to be developed without our presence here. I also believe the presence of European companies in Japan helps facilitate the traffic in not only products and services but also technology and even funds for business development.

As regards the performance and achievements of European business and its failures, it is difficult to speak as specifically as I would like. Very few enterprises like to boast of their successes and even fewer like to admit their failures. So one of necessity has to speak in generalities. I think no business in Japan can be successful, firstly, without a sense of commitment and this serves no purpose unless it can be applied in the long term. This has been said often, but it cannot be said often enough. It takes a great deal of time and patience for a business to begin feeling at home in a country and culture that is so different from that from which it stems.

I think that only with mutual understanding can we expect to develop a relationship of trust which all my Japanese colleagues tell me is absolutely essential in the development of a commercial relationship in this country. It is the emotional content of this relationship which quite often is underestimated and not fully acknowledged as necessary in development of our business here. In developing a new business you do not develop a relationship of trust overnight. It is almost totally impossible in Japan to set up a business by takeover of a company on behalf of foreign interests, which is quite contrary to the experience of Japanese businesses overseas. One of the largest trading houses here, for example, has just bought its second bank in California.

I don't think any such acquisitions have taken place here and I suspect it would be very difficult, if people were willing to do so they would find it impossible to do so. I think the element of emotional content in the relationship between management

WORKING HAND-IN-HAND

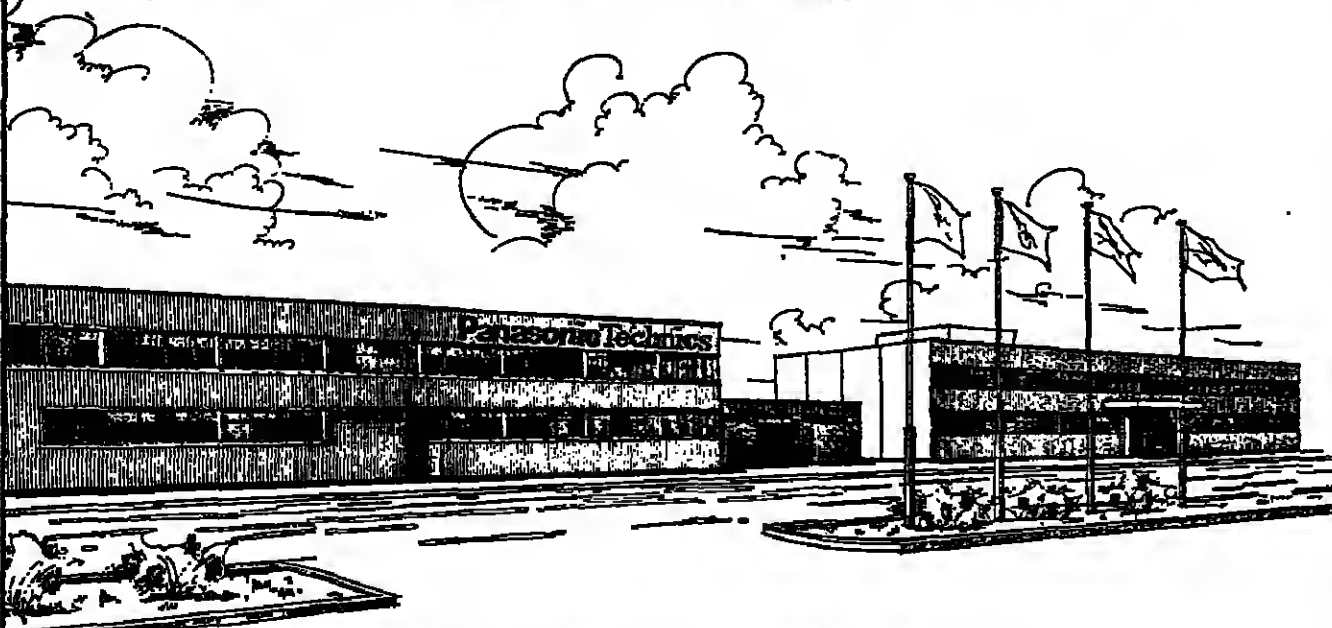
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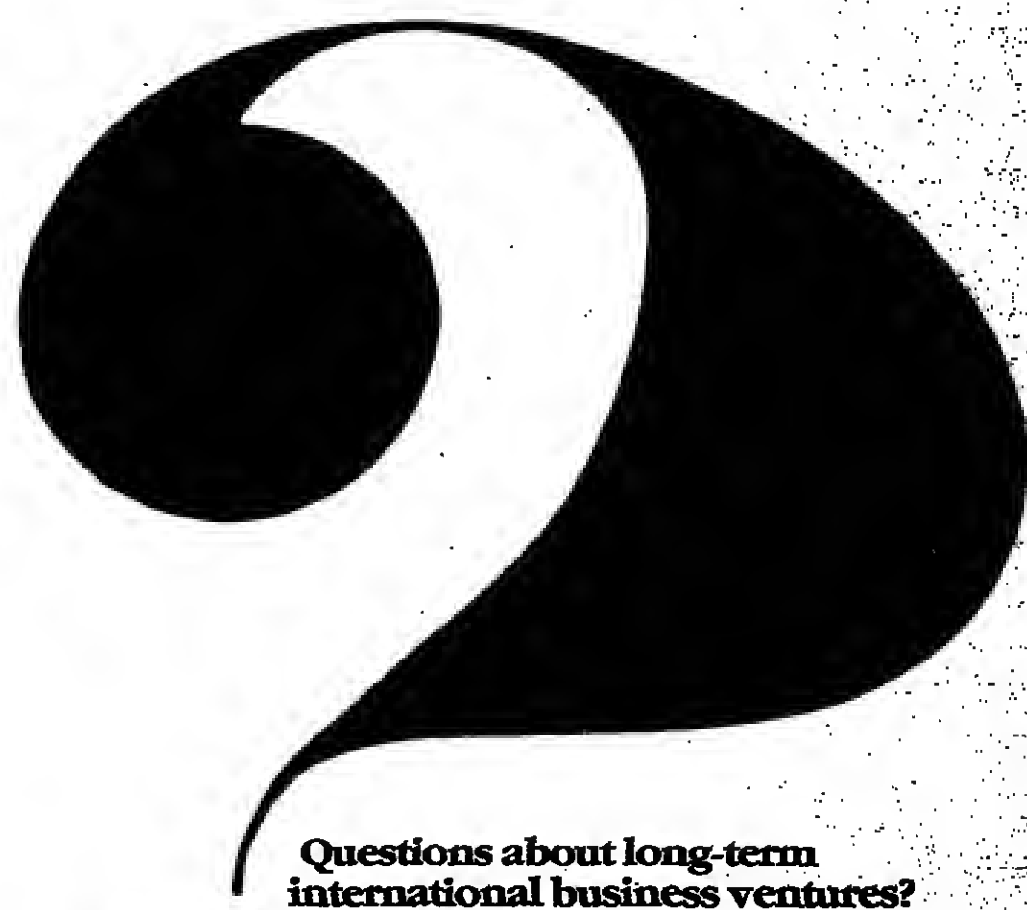
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and staff, management and shareholders, company and customer, is an important factor in this. This is not the only factor. We can look at the laws and regulations of this country and find very few instances of actual discrimination against foreign interests. However, much of the reality of doing business in Japan stems from the compliance with administrative procedures that tend to develop their own life and outlook. It is very difficult to fit in with these administrative procedures without a clear understanding of what can and cannot be done and, perhaps even more important, a clear understanding of how things are done. This, again, does not come overnight. I think one of the problems foreign companies face is development of their own staff. Recruitment practices in Japan differ from elsewhere. It is customary for an established company to take its people direct from university and these people are prepared to join such a company because of its established reputation as an employer. For a company which is new to this country it is like breaking a vicious circle. How do you establish a reputation as an employer if you find it impossible to employ the people you want? It is a real problem that takes a great deal of time, patience and determination to overcome. I think there is a long gestation period not only in respect to staffing, but also development of customer acceptance, not to speak of more technical and administrative matters, testing and quality procedures and so on, which lead to acceptance by administrative authorities of the product to be sold. Finally, there is the large cost of advertising, which is much easier for a large, established company to carry than a new small company that wants its products to be known.

I don't want to present a one-sided picture of problems. I want to emphasize the opportunities of Japan and the negative impact of crying doom and failure all the time which tends to discourage others from trying. Because, it really does become a self-fulfilling prophecy: if people think it is impossible to develop a position in the Japanese market they will not even try. One of the biggest discouragements undoubtedly is the very high cost of entering the market due to the long period need for development. So any measures that help to overcome the barriers to investment in Japan, I think, must be directed at easing the high entrance cost.

I know funds are made available by Japanese organisations to attract investments or imports. But I think European businesses might find it more congenial to avail themselves of financing opportunities directed to their specific needs from some organisation like the Common Market. Of course, it can be done on a national scale. But it seems to me that the common interest of all suppliers in Europe is such that a common approach by the EC would not be impossible.

Another way of facilitating the easing

of entrance costs could be the establishment of joint warehousing at major points of entry to the Japanese market, especially to help newcomers who find it costly to cope with administrative procedures and then find customers for their products. It has to be appreciated that service, maintenance and replacement in Japan is way beyond the expectations of customers in other parts of the world and this must be taken into account when counting costs. Japanese customers certainly are very spoilt. But that is the reality and if we are to compete successfully with Japanese companies we have to meet customers demands, requirements and expectations in the same way.



Isamu Yamashita

Chairman
Mitsui Engineering
and Shipbuilding Co., Ltd.

I would like to examine the question of the joint venture from the viewpoint of the 20 years experience Mitsui has now had in a cooperative arrangement with a major West German engine maker. It was established in 1963 under a licensing agreement to make and market in Japan small, high speed diesel engines for land use. At the time it was established, there were many regulations by the foreign investment law stipulating the equity ratio etc. It took eight months to obtain government approval, and the final equity ratio was 60/40 in favour of Mitsui.

But as long ago as 1926 we had experience of introducing Danish technology in Japan for the manufacture of marine main engines. This had great impact to encourage us in this latest joint venture with a European partner. The joint venture started production and marketing after a year of plant building. But it took many years before it could stand on its own feet and the first few years were very difficult. However, the company tried to improve its product range and marketing as well as production facilities through plant rationalisation.

Thus, we could improve performance to overcome two oil crises and to have a

rather satisfactory performance today. All the time, our West German partner tried to understand the position of the joint venture and acted in concert with us. Nevertheless, after a period, the German partner decided to entrust full management to the Japanese side, although we still have good relations between the two parent companies. I was closely involved in the establishment of this joint venture and I think there are three key considerations that always have to be kept in mind. First, there is a need to have deep mutual understanding. We were lucky to have very good communications in this case so that even when the joint venture ran into difficulties it was possible to take concerted steps. Thanks to the efforts of the foreign partner in understanding local conditions—like a decision-making process from the bottom-up involving internal consensus, industrial relations based on the company union and the need to respond to severe competition in the market by seeking ever more ways to cut costs. So the foreign partner in a joint venture must face all these issues and many more besides. But I wonder if the European side really realizes the magnitude of the problems and the peculiarities of the market?

From the Meiji Restoration in the mid-19th Century, Japan sought to absorb civilization and technology from the west. This was repeated with the postwar economic recovery. So, in the past, there has been a one-sided pattern, which is still being strongly felt through the existence of a perception gap between Japan and the West. But now we have reached the age of dialogue, overcoming this past perception gap.

I would like to offer some thoughts on how Europeans coming into Japan in investment must regard their activities. First, in assessing the results of the investment, you must take a long term view. In the case of European and American firms, results are commonly assessed on a single-year basis. But the Japanese practice is entirely contrary to that. You are expected to continue operating a business even under adverse circumstances. From a social standpoint, premature withdrawal from the market is simply not accepted. Secondly, the majority of any profit is retained for immediate reinvestment in research and development, plant expansion etc. You cannot expect to recover your investment in the short-term. It is not an appropriate action if you try. Nowadays, it is expected that the areas for possible joint ventures will become more and more diversified. This will increase the amount of initial investment required and also make the payout period even longer than in the past. So it is even more important than ever to understand the philosophy of doing business in Japan to avoid mistakes.

My final thought is that market mechanisms, competition must be the dominant force and must be allowed to function freely. Excessive protectionism

of industries will undermine their vitality and impair their development. Unbalanced, excessive economic controls will also damage entrepreneurship. So, in order to promote cross-investment we need to try further to deepen mutual understanding and narrow that perception gap.



Peter Frerk

Member of the Board
of Management
Volkswagenwerk Aktiengesellschaft

The Volkswagen history in Japan has led step by step over 30 years in three directions: in 1953 we established a distributorship carried by the well known Japanese import firm Yanase which succeeded over the years in making our Volkswagen and Audi products the biggest single import car. Since 1982 we joined efforts with Nissan to assemble an European Volkswagen model of middle class size for the Japanese market and for regional exports. And recently Volkswagen Asia was established as a highly specialized marketing and purchasing services support firm.



The chief participants gave a press conference at the end of the symposium. Here Viscount E. Davignon, Vice-President of the EC Commission, summarized the discussions, listened to by MITI Minister Sousuke Uno. Also in the picture are Laurens Jan Brinkhorst, Head of Delegation of the EC Commission in Japan and Mr. Kunio Komatsu, Vice-Minister for International Affairs, acting as symposium Co-Chairmen.

Cooperative tie-ups can distribute the enormous capital burdens of expensive technology and investment onto several shoulders, as well as opening up new market opportunities and encouraging standardization of technology. Our cooperative venture with Nissan has also enabled both sides to realize a significant increase in available information pertaining to legal restrictions, regulative obstacles and official procedures in the states of the cooperating partners. More marketing data and experience in the intensively competitive Japanese market with its rising global importance can be gained and a positive atmosphere can be created for a more international orientation of corporate policies.

But cooperative projects cannot simply be initiated for the sake of cooperation. We believe it to be extremely important that partners in such tie-ups maintain their individual identities. Cooperation should be designed in a way that maintains a balance of power between both partners. We would have serious reservations about arrangements which have the purpose of leaving a defined segment of the market to one of the partners alone. To us it is apparent that partners cannot be divided into suppliers of first line technology and suppliers of inferior second line technology which subsequently would be cut off from future technical developments in a particular area, thus blurring their identity as a viable competitor in the marketplace. Cooperation can only fulfill its role in promoting free international competition and maintaining access to difficult markets when partners are prepared to preserve that certain balance and avoid projects with anti-trust ramifications.

I would like to add a word about a special experience we have gained. A cooperation agreement can contribute very significantly to the development of a new willingness to learn. Those who develop this ability can appreciate a competitor's advantages instead of continuing to follow

old prejudices. Thus a cooperative effort generates positive future-oriented learning experience which is most helpful to your own corporate culture. Our American colleagues frequently believe such cooperation to be or border on restraint of trade. Our experience with cooperation in Europe during the past decade actually proves that where balance is built in and identities are preserved, partners actually benefit rather than become limited in their future capabilities. We know that we can jointly continue the manufacture of engines, transmissions or components and at the same time continue competing with our products. In fact the European industry has been able to expand and refine an aggressive competition to satisfy rising consumer demands through the wise selection of cooperative products and division of labour.

There is one term which in my observation is used very frequently in the Japanese media today: "kokusai"-international. I sometimes have the impression that the dynamic striving of Japan for internationality is intended more for the purposes of external expansion, i.e. going abroad with trade and investment. But at home in Japan one continues to be inclined to keep ones doors closed. Fears of increased protectionism abroad are growing in Japan. But I am not quite certain whether the Japanese genuinely realize and appreciate the importance which cooperation really can have to trade relations; when they occur increasingly on Japanese soil. Japan has achieved a great and even increasing responsibility for the structure of the world economy. In my view Japanese must therefore devote substantial effort to the "internationalization" within their own country. If we work together, become familiar with the mutual strengths and weaknesses, adjust to new technological developments and if we are willing to pursue new but very difficult marketing opportunities, then we as industrial countries can base our growth on a new and sound foundation.

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Panel Discussion JAPANESE INVESTMENT IN THE EC — EXPERIENCE, PROBLEMS & PROSPECTS



Yoh Kurosawa
Managing Director
The Industrial Bank of Japan Ltd.

On the basis of my experience in working in close relationship with various types of enterprises, I would like to speak on the present situation of Japan's investment in Europe. The main feature is that it is mostly in the commerce and services sectors. There has not been a significant amount of investment in the manufacturing industry yet. Investment in the manufacturing sector is the best sort of investment to create jobs and we strongly hope Japanese investment in this area will be substantially increased. However, the policy towards foreign investment varies substantially from country to country, creating difficulties. One example is an EC country that does not reveal a list of industries in which foreign investment is acceptable, although that country has claimed to the world it welcomes foreign investment. What is worse, the authorities of that country often shelve applications for as long as a year after they have been submitted, saying "We do not need this sort of investment in our country." Let me now take up problems Japanese enterprises face after they have made investments in Europe. The Industrial Bank of Japan has had a long close relationship with Yoshida Kogyo, the largest multinational manufacturer of zippers with 27 overseas factories. It made its first investment in the EC in 1964 and now has manufacturing and sales subsidiaries in all EC countries except Luxembourg. All are showing good performances at present, but a number of formidable obstacles and difficulties had to be overcome before success was finally achieved. Yoshida Kogyo's experience demonstrated that manufacturing operations in EC countries meet with many arbitrary obstacles connected with the interests of

EC members that differ from country to country. Eventually reasonable decisions are reached by the EC Commission in these cases. But we must note that it will take a long time and considerable expense before reasonable decisions on all outstanding matters are finally given. We have to pay our highest respects to Yoshida Kogyo for the tenacious tactics employed and for the efforts this pioneering company has made. Based on its experiences, Yoshida Kogyo seems to have established a policy of concentrating on local production while holding down imports of manufactured products from Japan as far as possible thereby avoiding arousing trade friction. We think this is the most important point we have to take into consideration when we invest in Europe.

There are many other problems involved in making investments, including those related to labour issues and obtaining work permits. Investment in Europe is not an act of charity, but unless it is something which appeals to the local people and which brings long-range benefits to the people where the plant is established, overseas investment will not be welcomed and cannot hope to last long. I believe this is the most important lesson we ought to keep in mind from Yoshida Kogyo's case.

What we are at present most anxious about is the move to have the Vredeling directive adopted by the EC. This stipulates that any company in the EC employing more than 1,000 workers must convey to a representative of the workers without delay comprehensive information that would clearly explain all activities of the company, including the management and financial situation, prospects for business, production and sales, present situation and prospects for employment and prospects for investment. I am afraid that such a directive, if enacted, would adversely affect Japan's large-scale investment in Europe to a very great extent.

As a private organization wishing to encourage investment in the EC countries, we have set up an "International Investment and Technical Exchange Committee" within the Federation of Economic Organisations (Keidanren). While intended to cover relations with all areas of the world, our exchange of viewpoints with EC countries, in fact, is the most active due to the mounting trade frictions. We also have a separate committee discussing various concrete problems between France and Japan. I believe the role of committees like this is significant in rendering basic assistance and advice.

In order to bring investment plans to fruition, our bank has concluded a business cooperation agreement with the state-owned French bank Paribas. In Italy, we have established a joint venture

with a state-owned financial institution specializing in medium and long-term financing. In both instances, we have been successful in promoting a number of cases of investment and technical cooperation between Japanese companies and firms in these countries, and other arrangements are at various stages of progress.



Lord Catto
Chairman
Margon Grenfell Holdings Ltd.

I think I should use this symposium to turn to the means rather than the ends of investment, in say how we view that prospect and how we in the financial services sector believe we can best help. Above all, I want to try and allay three fears which I think may sometimes have a discouraging effect on our Japanese partners when they consider direct investments in Europe.

First, investment is very welcome, European industry knows full well the im-

mense debt it owes to the U.S. multinationals who invested in such numbers in Europe in the 1950's and 1960's. They brought with them immense benefits: not merely the generation of employment, but the introduction and dissemination of improved work practices, new, more professional management skills, modern marketing science, current financial analysis and cash management techniques and the concepts of strategic planning and of the decentralised corporation. Today we all know we must go further, and there is no country which is generally regarded as having more to teach us than Japan — in technology itself; in a longer-term approach to investment and return and in the management of all the risks and difficulties which this implies; in new relationships between suppliers and customers; and above all perhaps in the vital areas of incentives, morale and leadership.

Secondly, I don't believe you should be unduly deterred by the financial and currency risks of investing directly in Europe. A very wide and sophisticated range of options is available to finance investment in Europe and to hedge the currency exposure involved. For example, in major Community countries such as the U.K., Germany and Holland, the local financial credit and bond markets are open to you. It is a fact much regretted by European banks and investors that, with the single notable exception of the Swiss Franc bond and private placement markets, Japanese issuers and borrowers have been conspicuous by their relative absence. There is no doubt that an issue of straight debt in the Sterling, Deutschmark or Dutch markets by a prime Japanese corporate borrower, whether in its own name or guaranteed by a Japanese bank, would be well received.

Finally, a perhaps delicate topic but one which I nevertheless feel I must deal —

the question of acquisition. With us in London, acquisitions of public companies are an almost daily event. Though on the Continent the tradition is to seek the management's agreement, and contested takeovers are rare, the recent battle between St. Gobain and the General Des Eaux in France shows they are by no means non-existent. Nevertheless, while I would not hesitate to recommend to a foreign client that he bid for a suitable public company in Great Britain, even if the company's management were likely to oppose the offer, I would not recommend this procedure on the Continent. I am well aware that most Japanese corporations in practice are likely to be reluctant to get involved in a high visibility contested takeover battle in a foreign country, and I respect their reasons for this. But while takeover battles attract the headlines, by far the greatest number of acquisitions are on a friendly negotiated basis and form a crucial part of the European industrial scene and in the adaptation of companies' structure and strategy to changing conditions.

An acquisition enables a company to acquire a proven product or technology, proven sales network or proven management team and thus avoid many of the risks of starting from the top of the experience curve in a new market; in the case of many Japanese corporations, the attractions are perhaps likely to lie in the existing sales network and management team rather than product or technology. Acquisition obviously implies the taking over of existing market share, with minimal disruption to the existing pattern of supply and demand, where green field investment is likely to involve a net gain in total capacity with consequent damaging effect on price structure.

Finally, acquisition is often a cheaper method of acquiring productive assets than the alternative of starting afresh. As there has been as yet so little Japanese industrial acquisition in the Community I can only imagine it is because two problems most frequently associated with this form of investment weigh strongly on your minds: the difficulty of harmoniously and successfully integrating into a new larger whole an acquired company with its particular habits of mind, working methods and management structure; and the problem of obtaining political consents. Both difficulties, I believe, can be exaggerated. From my own experience I can tell you that a great many managements — especially at the crucial middle-management level — welcome the challenge of greater growth, brought about by the financial backing which may come from association with a powerful multinational firm, and the will display qualities of motivation and loyalty as great as or even

greater than any team put together ad hoc to run a new venture.

On the question of government consent, it has traditionally been a problem in some countries, but the position is steadily evolving towards a more liberal policy — partly no doubt because of politicians' sensitivity to unemployment in a recessionary environment and the need to assure the future even of apparently healthy firms.



Ryuzaburo Kaku
President and
Representative Director
Canon Inc.

Canon's relationship with Europe dates back to 1957. At present there are 20 locally incorporated sales companies in Europe with 4,500 employees accounting for a quarter of Canon's total sales volume. Canon products are locally produced in Giessen, a suburb of Frankfurt, West Germany, where some 300 persons are employed. This followed the purchase in 1972 of a local photocopy development corporation that became insolvent. For the first seven years, the company was managed by German nationals with one or two Japanese staff members dispatched for communicating technical information, but the management was changed to Japanese in 1979 because of difficulties related to quality control and cost increases. The new strength of Canon's know-how and Germany's traditional sophisticated technology, a decision was made this year to establish another local production line of copy machines, on the outskirts of Rennes, France, with production starting next year. By the third year — when it will produce 10,000 units a month and provide approximately 500 jobs — the plant should start exporting copiers to other countries in Europe as well as Africa and the Middle East.



MITI Minister Sousuke Uno, makes a point to Viscount Etienne Davignon, Vice-President of the EC Commission and Mr. Laurans Jan Brinkhorst, Head of Delegation of the EC Commission in Japan at a reception following the first day of the symposium.

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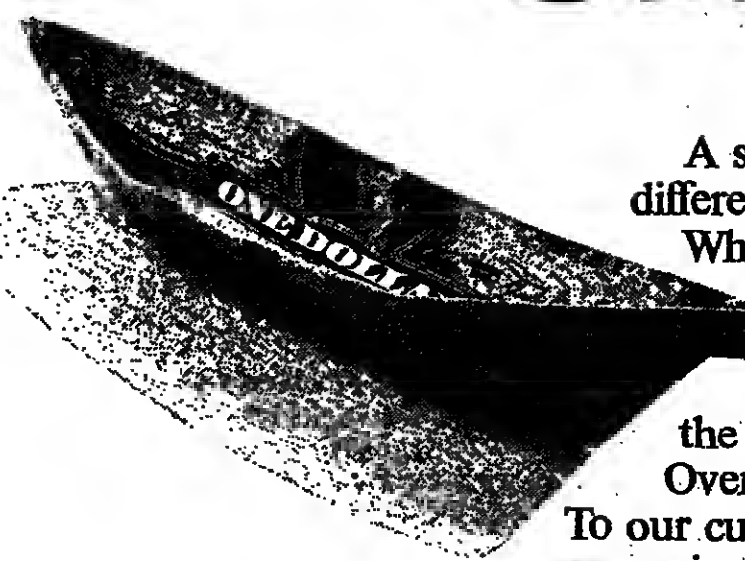
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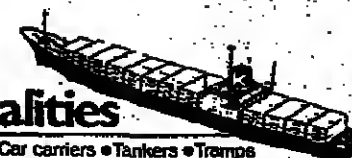
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Investments in the EC are not without their problems. Some relate to management. Since the 1970s when Canon became a partner to local agents or established local sales companies, management of the companies has basically been local. However, as a result of diversification and expansion of Canon's operations, there were some difficulties which developed with local management, and in some cases, Japanese have been dispatched from Tokyo to redress the problems. We recognised the problem as basically one of lack of communication and lack of consideration in training and educating management to meet the challenges that accompany expansion.

In order to learn from this lesson, a training program has been implemented in the last four years. A group of five local managers has been invited twice a year to learn from outside experts the history, society, economy of Japan and characteristics of Japanese companies. Company lecturers have provided useful information on Canon's management philosophy, planning and technological development. The programme is a two week course which includes visits to plants. About 60 persons have benefited from it to date. There are other broader exchange programmes in addition. Every year, about 200 production engineers and service personnel have been invited for technical training in Japan. For the purpose of rewarding outstanding sales performance, long term employment and also for the purpose of training dealers and agents, a total of about 500 persons, including spouses, have also been invited to Japan every year. About 10 journalists also receive invitations to visit Japan each year. These programmes are aimed at helping these people obtain a better and clearer understanding and recognition not only of Canon's management philosophy but a deeper mutual understanding of Japan.

The second problem area is the existence of a grey market due to European currency fluctuations. Those distributors who do not make any appropriate effort for maintaining fair market conditions abuse the time lag between currency fluctuations and price adjustment for unfair disposition of products through the grey market. This has been detrimental in maintaining appropriate prices and profits of other dealers. This is a troublesome problem which also involves anti-trust laws.

The third problem has been the difficulty in increasing the local procurement of materials and components. Despite Canon's efforts, high quality components have proved to be too expensive or measures to improve productivity have been delayed due to differences in labour practices. It is in this area that we hope the European countries will exert efforts by investing more in rationalisation and in technology

development, as well as by improving labour-management relations through consultations aimed at achieving higher production.

The fourth area has to do with facilitating direct investments. On the whole, the governments of the U.K., France, Belgium and the Netherlands have been active in promoting industrial cooperation including direct investments, while there is a difference in attitude of other EC countries. West Germany, for instance, has tended to leave it more to private sector initiative. It would be helpful if governments could allow foreign companies to define the scope of their business activities slightly more broadly in relation to granting licenses for local production. Business would be activated and would also benefit greatly from the position of at least being able to freely procure funds for expansion in local currencies, since this would help hedge investment risks.



Ichiro Shinji
President
Victor Company of Japan, Ltd.

I speak to you as a representative of a Japanese company which has been fortunate enough to cooperate with leading electronics manufacturers in the United Kingdom, West Germany and France in an equal joint venture "J2T." This was formed in March 1982, with production of video tape recorders starting in May in Berlin and in October in Newhaven, England in October of the same year.

It was the three European partners (Thorn-EMI, Telefunken and Thomson-Brandt), not JVC, who took the initiative of the discussion on how to structure the cooperation and coexist for the successful realisation of local production of VTR's. JVC joined the discussions later. As each company had its own management approach in difficult market conditions, we went through intensive and repeated exchanges of frank opinions in a positive and openhearted atmosphere. As a result, it was agreed from the viewpoint of the EC,

that Euro-Japanese cooperation was the viable way to transcend national boundaries to achieve mutual benefits on both the business and national levels. To tell you the truth, we first felt such ideas would be difficult to work out, mainly for three reasons. First, the four partners no doubt have different philosophies, with varied backgrounds and histories. Secondly, individual partners must have different business interests in their respective environments. Thirdly, management and operations would be extremely difficult if there is no strong leader and it is performed by four partners with equal influence.

In the course of the discussions, however, the parties exchanged opinions from a viewpoint that cooperation is the best way to benefit themselves while further benefiting the entire EC. We eventually became confident that the spirit of cooperation and reciprocity as well as personal respect that existed among the four partners could overcome future problems. On JVC's part, we became aware that our corporate policy of developing useful technology and serving consumers' needs through competition and cooperation could be shared.

In this way, judgements were made with a larger view in mind and with mutual confidence to organise J2T joint venture on the principle of equal partnership. As an underlying foundation, our proven mutual business relationship from supplying finished products greatly enhanced our negotiations for local production, now running at 400,000 units a year. Prospects for local procurement are bright now, and a project team was formed in early 1983 to prepare for large-scale local procurement and production. In addition, a technical assistance agreement was concluded between Thomson-Brandt and JVC to make basic parts and perform basic chassis assembly in the EC. This began in France in September 1983.

We believe that achieving industrial cooperation is not an overnight process but a step-by-step result of firm business relationships and considerable time and efforts. There are several stages that must be passed in order to accomplish industrial cooperation between the EC and Japan. Taking the example of the electronics industry, there must first be a new product developed by new technology. Subsequently, a market for that new product must be created through cooperation and the joint efforts of all parties in the industry. Logics of investment do not allow immediate technology transfer and production. We have created the VTR market in Europe through common efforts with our European partners, to whom we originally supplied complete VTRs on an OEM basis. It was only after the market had been created and developed that conditions favourable to investments matured.

Even after the success of the market

and the beginning of investment for local production, it is not a viable proposition to immediately transfer the fully assembly process from the smallest parts to finished goods, because the product is a high technology component which regularly continues to be improved. It must instead start with semi knockdown (skd), then advance to complete knockdown (ckd) and finally to overall and complete local production. By going through these steps towards total local production, technology and necessary know-how, as well as mutual confidence are developed in each party and this will eventually lead to a stronger basic ability to independently develop original products. The electronics industry is beset with a variety of challenges, such as the accord between the EC and Japan on import quotas and other serious trade issues. We believe that direct investments, technical assistance or industrial cooperation with the EC must benefit both EC and Japanese concerns. The solution to these questions should be one which mutually satisfies the requirements of both European and Japanese industries.



Richard E. Norman
Chairman and Managing Director
Thorn EMI Ferguson Ltd.

Speaking from the European side of J2T, the joint venture has experienced few problems of any significance, which I am confident is due largely to two facts. First, the European parties had extensive experience in the manufacture of consumer electronics. Indeed the sides of the two manufacturing plants in Berlin and Newhaven largely use a labour force previously employed by Telefunken and Ferguson. Secondly, each enjoyed a close working relationship with JVC since the introduction of VHS. We recognised the fact that if the venture was to work then each one of the parties had to work collectively, in a spirit of cooperation and mutual trust. It is in this area that careful planning and skillful management identified any possible problems in the embryo stage and dealt with them effectively.

We were all aware that J2T had only one chance to prove that a European manufactured product would be of the same high quality as that perceived of equipment originated in JVC factories in Japan. Eighteen months of production has yielded sufficient quantities of product and proved sufficient time for our customers own quality records to be statistically significant and, with the aid of high calibre support from our Japanese colleagues guiding us in the implementation of their own particular style of quality control, we have achieved a particularly pleasing quality record. The work force in both factories responded in exemplary fashion to the challenge and their devotion and enthusiasm has proved that whether made in West Germany or the United Kingdom, the quality and reliability of J2T products equal the very high standards set by JVC and demanded by our customers.

Having proved that J2T factories can competently manufacture product, from components and kits sources from JVC, the company successfully completed stage one of its development programme. We are now wholeheartedly engaged in stage two — a project designed to in-

crease the amount of locally procured components and materials, thus making the venture's product truly European in origin and bringing with it opportunities for considerable increases in secondary investment and employment in the form of sub-contract agreements. Naturally, such new challenges bring their own problems and it came as no surprise that the first offerings from prospective European suppliers rarely met the specifications required by J2T. Currently we have achieved a level of 30 percent EC content and fully expect to reach in excess of 45 percent by the end of 1984.

J2T has produced in excess of 400,000 units and some seven percent of the EC market has been supplied by J2T factories in 1983. We are increasing production and envisage that the number of employees will be in excess of 900 by the early part of 1984 — progress that all three partners have worked hard to achieve and of which they can feel justifiably proud. However, each acknowledge that it has not been achieved without much company soul-searching. It would be remiss of me to conclude before first recognising that much is said about the difference of mentalities and cultures between Japan and Europe; indeed, they are well documented. Undoubtedly we had some problems in the commencement stage of the venture which were entirely due to the fact that the European mentality is quite different to that of Japanese, but we anticipated this and a basic prerequisite which proved to be a valuable and realistic one, was a high degree of tolerance on the part of all concerned whilst observing the original objectives.

As time has progressed and J2T has grown, become established and accepted, our experience has shown that such close cooperation helps break down prejudices, removes reservations and is paramount in the success of a venture which is an excellent example of industrial cooperation between EC and Japanese companies based on industrial logic.



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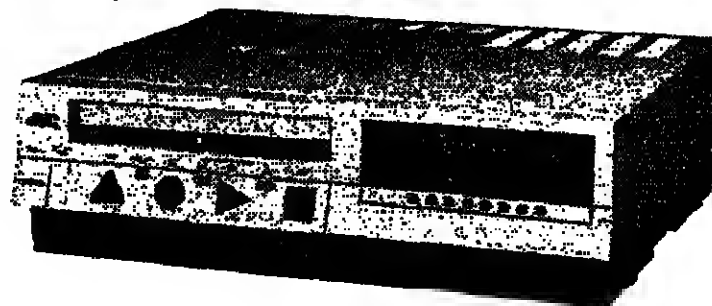
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OVERVIEW OF EC-JAPAN CROSS INVESTMENT



Kunio Komatsu

Vice-Minister for International Affairs
Ministry of International
Trade and Industry

One fact that stands out conspicuously is that the EC carries on investment exchange with Japan on a much smaller scale than it does with the United States. According to a MITI survey there were 141 European capital firms engaged in the manufacturing field in Japan as of March 1981, and these included firms outside the EC such as 18 from Switzerland and 8 from Sweden. In comparison, there were 339 American firms involved. There are now 123 Japanese companies who have extended their business operations to the manufacturing sectors of the 10 EC nations. In contrast, there were 279 Japanese enterprises operating in the same sector in the United States as of June, 1982.

Investment exchange between Japan and the EC is still inadequate, but it has been showing signs of considerable expansion in recent years. To cite some recent examples on the Japanese side, Ricoh is to manufacture copiers in the United Kingdom and Canon to produce small-scale copiers in France. Daiwa Kokan and Tubel have set up a joint venture company to manufacture lance pipes for steelmaking in Belgium, while production of automobiles has begun in Italy by a joint venture corporation established by Nissan and Alfa Romeo. One point that deserves special attention, in my estimation, is the recent growth of investment in the high technology industries: IC, electronics, new materials, industrial robots and others.

Up until now, investment in Japan by EC enterprises in the manufacturing sector has centered on chemicals and pharmaceuticals. We welcome increasing activity and diversity of investment in Japan by EC companies, not only in the manufacturing field but in other areas as well, including sales. In particular, commercial investment will be an important part of the Community's efforts to expand exports to Japan. At the same time, we hope that such investments in commercial fields may eventually be linked to production in Japan in the future.

Let us look at the principal steps Japan has taken to encourage foreign investment. First is active utilization of financing by the Japan Development Bank, a government institution which provides long-term, low-interest loans to projects considered significant to the national economy, such as those contributing to technological advancement and regional development. There has been steady expansion of loans to firms with at least 50 percent foreign capitalization. This year, the bank established a special section, where up to now 32 firms, mainly in the high-tech industries, have come to discussion questions pertaining to financing. I have heard 13 of these were companies from EC nations. Recently, most of the discussions have tended to be initiated by 100 percent foreign capitalized firms and we at MITI would like to try and amplify this system of financing still further. MITI also provides foreign firms with information on location and other pertinent subjects.

An important role is also played by the Japan External Trade Organization (JETRO), which, in the middle of this year, opened "Centers for Industry and Technology Cooperation" in London, Paris, Milano, Dusseldorf and Brussels.

Paolo Fasella
Director-General for Science,
Research and Development
EC Commission

Japan so far has directed 10 percent of its total overseas direct investment into the community, whereas Japan's share of the Community's overseas direct investment is only three percent. At the end of Fiscal 1982 Japan investment totalled 5.3 Billion Dollars, the Community's investment being only one-tenth that sum. Such imbalance is all the more remarkable when one considers the Community's new overseas direct investment amounted to 25 Billion Dollars in 1981. Apparently, it has not so far been attracted by Japan despite the country's above-average rate of economic growth.

Another surprising feature is that no less than 80 percent of Japan's direct investment in the Community is outside manufacturing, and Europe's share of

Japanese manufacturing investment on a worldwide basis is falling. Manufacturing investments, however, represent more than 40 percent of total direct investments by Community firms in Japan.

Japan's contribution to manufacturing employment within the Community in the past 20 years has been significant (over 26,000 jobs up to the end of 1982) and is growing all the time. Yet we learn that most Japanese firms still import over a third of their parts and equipment from Japan. We, in Europe, have to learn more about why this is the case, and to try to remedy these supply problems if we wish to maximise the employment effect of Japanese investment. But the effort to improve the extent of local value-added should not only come from the European side. Only in a few striking cases, has Japanese investment led to the free use and further development of technology originating in Japan.

This is not to say that the record of Community investment in Japan is any different: its contribution to employment in Japan is far lower than that of Japanese investment in the Community and its record of technology transfer, although perhaps better, is still limited by the small scale of overall investment.

The most obvious causes of imbalance in investment volume are what I would call external constraints; the regulatory or non-regulatory obstacles to investment. While these certainly exist in Japan, I believe they are more significant in Japan, in spite of legislative changes which have taken place. The difficulties of foreign companies to set up certain services here, and restrictions on the activities of foreign banks, for example, have certainly reduced the overall level of productive Community investments. I would also put the limitations imposed on independent distributors in Japan within this category of constraints, for Community companies need to be assured they can sell as well as produce goods here.

While we can understand the reasons for the close links between Japanese producers and distributors, the relatively small independent sector, at present only accounting for 16 percent of all retail outlets, must be allowed to grow to give newcomers a chance in the Japanese market. In addition, elaborate and slow-moving procedures for the testing and registration of new products add to the cost of investment in a new market and thereby discourage potential investors. These and other problems can partly be resolved by government intervention.

But the second, and more fundamental, constraints on EEC-Japan cross-investment will be more difficult to eliminate, as they are essentially psychological. The attitudes of both the foreign investor and the society in which he operates must show greater flexibility if cross-investment between the Community and Japan is to realise its full potential.

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SUMMARY OF PANEL DISCUSSIONS



Naohiro Amaya

Special Advisor to the Minister of
International Trade and Industry

From viewpoint of a traditional value system based on western civilization, perhaps some of the new variants of (this civilization that developed in Japan) might have elements which are difficult to comprehend by Europeans. However, no matter how strange or incomprehensible some of the factors of this new civilization are, I think it is defeatism to say just because it is difficult one should give up making an entry into this new region and civilization. Japan is at the entrance of the Western Pacific and also at the same time it is the centre of the region.

From now through the 21st Century, the Western Pacific region is going to play a greater and more important role in world history. For Europeans to more actively participate in this region, I think, will be of mutual benefit to all. Currently, it looks as if Japan is playing a dominant role in this region. The entry into the Japanese market by American industry is very active, but I don't see a sufficient level of active entry by Europeans. I trust that Japan will do everything to make the entry by Europeans easier and I hope that European companies trying to enter Japan will show the same spirit as (Edmund) Hillary did in climbing Mount Everest.

To my Japanese colleagues, I would observe that since 1853 Japan has been trying to absorb developments from the Western world and we now have a considerable level of expertise. However, we have to question whether the Japanese people know enough about their own country. We should face the mirror and study what we really look like. If I look in the mirror, I see that some secondary industries in Japan have become very competitive... like a high nose they are protruding. However, if we look at primary industries in view of market organisation or competitive strength, their position is depressed. The same holds true for some portions of the service industry, as well as our defensive strength and diplomatic capabilities. I think our skill to convey our culture and communicate well with overseas is insufficient. If we take a sober look at our face there is a very sharp contrast

with portions protruding and others depressed. We have to think carefully why we have such a strange face.

Before 1853, Japan was closed for a long period. We were in effect self-sufficient and there was really no need to import any specific goods. I do not think there is any other country in the world like Japan in this sense.

During this period an anti-international attitude developed not by design but as a natural result of history. Because this feature is very deeply rooted Japanese just are not conscious of it at all. But since 1853, whether Japan liked it or not, it had to become a member of the international community. Secondary industry in Japan was able to meet the challenge and become strong by international standards. The primary and tertiary industries, due to the inertia of history, have yet to be internationalized. Because of its isolation, Japan is not yet playing a sufficient role comparable to its economic strength. But competitive strength is a relative term. To take a very simplistic view that we will be fine as long as we continue to export secondary industrial products is a very childish concept of competition. There is a European term "noblesse oblige." I wonder whether the Japanese can be considered as nobles or commoners? If the Japanese want to be considered as nobles then I think we need to reflect on ourselves very seriously.

Edmund P. Wellenstein
Special Counsellor to the Commission of
the European Communities

I would like to begin with a comparison which those who attended the first and second symposiums can share. I found this third symposium had quite a different atmosphere from number two in Brussels last January which was already quite different from the first symposium held in Tokyo nearly two years ago. The first gathering mainly concentrated on frictions, short term trade problems and everything connected with those issues. Our discussions were acrimonious at times. The atmosphere in the succeeding meetings has been different no doubt because we have put the emphasis on longer term aspects, first industrial cooperation

and now investment, which has been conducive to a more businesslike discussion.

There is a general feeling of an urgent need to find a broader basis for the Japan-EC dialogue than only the problems of trade. Several Japanese panelists admitted that an early motivation for investment in Europe was to avoid increasing trade friction by exporting production not products. That certainly helps, but it will only work — and I think this came out very clearly in our discussions — if cross-investment of Japanese and EC partners develops in an equilibrated way. And at the moment it is clear this is not the case. At the same time, this imbalance is at a very low investment level. A very small proportion of Japanese overseas investment has gone to the EC, while EC investment in Japan compared to the rest of the world is an even more ridiculously small proportion... about one percent.

The discussions raised the issue of the different kinds of obstacles to international investment. There are various institutional obstacles — regulations, prohibitions, special procedures — but, in general, it was found that there is increasing awareness on the sides of Governments that these must be brought down to acceptable levels because international investment is a very important agent for the development of cooperation between our countries. This is true at a regional as well as a national level. It is also very important to open up the field of investment not just to the "giants," the multinational conglomerates, etc., but also to the medium and even small-sized firms. Suggestions were made to consider what could be made available on both sides to help such companies to cope with the extremely high initial costs inherent in entry to the Japanese market, for example.

As to the economic conditions for a successful international investment, it was agreed by both sides that it was important to start with investment in the commercial sphere but to move as quickly as possible to the production sphere, and to see to it that, in a visible way, the value added in the host country becomes bigger over time. This is very important to stress because it is directly related to the acceptability of the foreign investment.

One EC panelist suggested that whereas as takeovers in Japan were considered the worst possible way to make an investment, if not totally impossible, in some EC countries a takeover could be the smoothest way to proceed, allowing the investment to build on an existing situation that might lead to easier acceptability by the host country. Finally, one Japanese speaker said he had expected the Common Market to be more common than it really is, and that he had encountered unexpected obstacles in moving goods from one country to another within the community. I think he is right and it is one of the priority themes on the agenda of the heads of EC member governments.

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